



This document is translation of a document originally issued in Polish. The only binding version is the original Polish version.

Deutsche Bank Polska Group

Deutsche Bank AG Group

Four-Year Record

Balance Sheet , in € m.	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Total assets	1,905,630	1,500,664	2,202,423	1,925,003
Loans	407,729	258,105	269,281	198,892
Total liabilities	1,855,238	1,462,695	2,170,509	1,885,688
Total shareholders' equity	48,843	36,647	30,703	37,893
Minority interest	1,549	1,322	1,211	1,422
Tier 1 capital	42,565	34,406	31,094	28,320
Total regulatory capital	48,688	37,929	37,396	38,049

Income Statement , in € m.	2010	2009	2008	2007
Net interest income	15,583	12,459	12,453	8,849
Provision for credit losses	1,274	2,630	1,076	612
Commissions and fee income	10,669	8,911	9,741	12,282
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	3,354	7,109	(9,992)	7,175
Other non-interest income	(1,039)	(527)	1,411	2,523
Total non-interest income	12,984	15,493	1,160	21,980
Compensation and benefits	12,671	11,310	9,606	13,122
General and administrative expenses	10,133	8,402	8,339	8,038
Policyholder benefits and claims	485	542	(252)	193
Impairment of intangible assets	29	(134)	585	128
Restructuring activities	-	-	-	(13)
Total non-interest expenses	23,318	20,120	18,278	21,468
Income (loss) before income taxes	3,975	5,202	(5,741)	8,749
Income tax expense (benefit)	1,645	244	(1,845)	2,239
Net income (loss)	2,330	4,958	(3,896)	6,510
Net income (loss) attributable to minority interest	20	(15)	(61)	36
Net income (loss) attributable to Deutsche Bank shareholders	2,310	4,973	(3,835)	6,474

Key Figures	2010	2009	2008	2007
Basic earnings per share	€ 3.07	€ 7.21	€ (6.87)	€ 12.29
Diluted earnings per share	€ 2.92	€ 6.94	€ (6.87)	€ 11.80
Dividends paid per share in period	€ 0.75	€ 0.50	€ 4.50	€ 4.00
Return on average shareholders' equity (post tax)	5.5 %	14.6%	(11.1)%	17.9%
Pre-tax return on average shareholders' equity	9.5 %	15.3%	(16.5)%	24.1%
Cost/income ratio	81.6 %	72.0%	134.3%	69.6%
Tier 1 capital ratio	12.3 %	12.6%	10.1%	8.6%
Total capital ratio	14.1 %	13.9%	12.2%	11.6%
Employees (full-time equivalent)	102,062	77,053	80,456	78,291

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Our Identity

Our Identity

We are a leading global investment bank with a strong and profitable private clients franchise. Our businesses are mutually reinforcing. A leader in Germany and Europe, we are powerful and growing in North America, Asia and key emerging markets.

Our Mission

We compete to be the leading global provider of financial solutions for demanding clients creating exceptional value for our shareholders and people.

A Passion to Perform

This is the way we do business. We pursue excellence, leverage unique insights, deliver innovative solutions and build long term relationships.

Close to our clients.

Management Bodies

SUPERVISORY BOARD

Peter Tils

Chairman
Deutsche Bank AG
Frankfurt/Main

dr Hubert A. Janiszewski

Vice-chairman
Deutsche Bank AG
Warsaw

Guido Heuvel

Deutsche Bank PBC
Frankfurt/Main

Miklos Kormos

Deutsche Bank AG
London

Zoltan Kurali

Deutsche Bank AG
London

Michael Spiegel

(until June 2010)
Deutsche Bank AG
Londyn

Reinhard E. Uhl

(until June 2010)
Deutsche Bank AG
Frankfurt/Main

MANAGEMENT BOARD

Dr hab. Krzysztof Kalicki

Chairman
Investment Banking
Credit Risk Management
Chief Economist
Risk Controlling
Tax
Legal/ Compliance
Audit
Human resources
CRES
Public Relations

Zbigniew Bętkowski

(from March 2011)
Finance
Global Technology and
Operations

Radosław Kudła

(from July 2010)
Global Markets
Treasury

Radosław Ignatowicz

Corporate Banking
Services
Account Management and
Services
Trade Services
Custody
Financial Institutions

Marcin Iwaszkiewicz

(until June 2010)

Mirosław Urbański

(until July 2010)

Management Report

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Management Report on the Operations of Deutsche Bank Polska Group in 2010

KEY EVENTS IN 2010

2010 was yet another good year for the Deutsche Bank Polska Group. In 2010, we reported a pre-tax profit at the Group level of nearly PLN 114 m, meeting our financial and business targets for 2010.

The profit on core operations for 2010 was PLN 240 m. As at the end of 2010, the Group's statement of financial position (balance sheet) showed a total of PLN 5,100 m, and the gross return on equity reached 22%.

In 2010, thanks to a continued focus on tight cost discipline, the cost-to-income ratio (CIR) remained below our long-term target and amounted to 53%. The Group also recorded one of the best results in its history in terms of net income per employee, which stood at PLN 1,053 thousand.

In 2010, we continued close cooperation with public sector entities. In a consortium with Deutsche Bank A.G. of London, we acted as the Joint Global Coordinator and Joint Bookrunner in the sale of shares of KGHM Polska Miedź S.A. by the Ministry of State Treasury.

The Group was also engaged in the largest and most high-profile transactions on the Polish capital market, such as the stock-exchange début of PZU, bookbuilding process for the sale of PZU shares by Eureko, merger of AIG Bank Polska and Santander Consumer Bank, or issue of ITI Holding/TVN bonds and BRE Bank shares. According to the League Tables prepared by Mergermarket.com and Dealogic.com, the total value of all transactions in which the Deutsche Bank Polska Group was involved in 2010 amounted to EUR 2,165 m, which was the best result among investment banks operating in the Polish market.

In 2010, we received many prestigious awards and distinctions. Deutsche Bank Polska S.A. received an award for effectiveness from Gazeta Bankowa in its "Best Banks 2010" ranking. The respected Euromoney magazine named Deutsche Bank Best Investment Bank in Poland and globally. In the international markets, Deutsche Bank was awarded the title of Best Global Credit Derivatives House by Euromoney and Derivatives House of the Year by Risk magazine, and voted "the Banker of the Year" by International Financial Review. Deutsche Bank also won Euromoney's recognition as a leader on the market of cash management solutions in Poland.

In the area of corporate social responsibility, in 2010, we were actively engaged in the celebrations of the Chopin Year and became the main sponsor of the "Chopin, the Romantic Artist" bal-

let spectacle, presenting the life and work of Fryderyk Chopin. The spectacle was staged by the Grand Theatre – National Opera in Warsaw. To express our commitment to preserving Polish cultural and historical heritage, the Group, as in the years before, supported the construction of the Museum of the History of Polish Jews and the celebrations of the Battle of Warsaw anniversary organised by the Radzymin municipality. In the area of charity work, Deutsche Bank continued donating funds for the construction of the Warsaw Rehabilitation and Care Centre for the Mentally Challenged. In 2010, we also became a partner of the Foundation 10th April (Fundacja 10 Kwietnia), which raises funds for the education of orphans, and also provided support to the Nobody's Children Foundation (Fundacja "Dzieci Niczyje") and the Society of the Friends of Children of the Poznań Province (Wielkopolskie Towarzystwo Przyjaciół Dzieci). In response to the difficult situation caused by a natural disaster, Deutsche Bank generously supported the Polish Red Cross in its action to help those who suffered during the floods that inundated large parts of Poland in the spring of 2010.

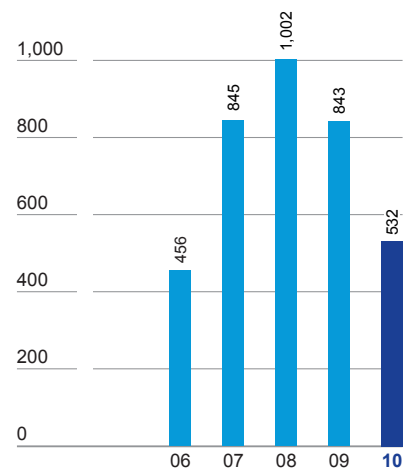
BUSINESS ENVIRONMENT

In 2010, the GDP growth rate increased to 3.8%, from 1.7% in 2009. Domestic demand grew by 4.0%, private consumption rose by 3.2%, and gross capital investments went down by 2.0%. In 2010, economic growth was fuelled by private consumption, which contributed 1.9 percentage points to GDP growth, and changes in inventories, which added 1.4 percentage points to GDP growth, while gross capital investments and net exports reduced GDP by 0.4 and 0.2 percentage point, respectively. In 2010, economic growth gradually accelerated from 2.1% year on year in Q1 to 4.4% year on year in Q4.

The average annual inflation rate in 2010 stood at 2.6%, relative to 3.5% in 2009. Throughout 2010, inflation remained within the range of the inflation target set by the National Bank of Poland (2.5%+/-1%), reaching the highest level of 3.5% year on year in January. In December 2010, the year-on-year inflation rate stood at 3.1%. The drop relative to 2009 was due to the stabilising commodity prices, including oil price, the strengthening of the Polish zloty and the high base in the previous year.

In 2010, the PLN/EUR exchange rate averaged 3.9946, which means a 7.7% appreciation of the zloty against the euro compared to 2009. In 2010, the average PLN/USD exchange rate was 3.0157, which means that the Polish currency moved up 3.2% against the U.S. dollar compared to 2009. The Polish zloty was the weakest against the euro on May 6th 2010 (4.1955), and against the U.S. dollar on June 4th 2010 (3.4931). It peaked against the euro on April 7th 2010 (3.8330), and against the U.S. dollar on November 4th 2010 (2.7453).

Loans and advances to customers
in PLN m.



Budget deficit increased in 2010 to PLN 44.6 bn (3.1% of GDP), from PLN 23.8 bn (1.8% of GDP) in 2009. As at the end of 2010, central and local government deficit stood at approx. 7.9% of GDP, relative to 7.1% in 2009, which meant a continuing growth of the public sector deficit. As at the end of 2010, the government debt reached PLN 701.9 bn, i.e. 49.7% of GDP, versus PLN 631.5 bn as at the end of 2009 (47.0% of GDP). As at the end of 2010, the domestic public debt stood at PLN 748.5 bn (53.0% of GDP), while the debt of the general government sector was PLN 778.2 bn (55.1% of GDP), compared with 49.9% and 50.9%, respectively, as at the end of 2009.

The Monetary Policy Council maintained interest rates unchanged at 3.5%.

In 2010, the current-account deficit went up to -EUR 11.6 bn (3.3% of GDP), from -EUR 6.8 bn (2.1% of GDP) in 2009. The higher current-account deficit reflected primarily an increase in trade deficit to -EUR 6.3 bn in 2010, from -EUR 3.1 bn in 2009. In 2010, exports grew by 20.1%, to EUR 122.1 bn, and imports rose by 22.6%, to EUR 128.5 bn. Net foreign direct investments in 2010 were EUR 3.8 bn, compared with EUR 6.2 bn in 2009.

In December 2010, the growth of money supply (M3) reached 8.7% year on year, relative to 8.1% year on year in December 2009. In December 2010, the money supply (M3) was PLN 782.5 bn. In 2010, household demand deposits grew by 22.6% year on year, to PLN 226.8 bn, while demand deposits by corporate customers increased by 16.2%, to PLN 88.3 bn. In 2010, term deposits of households decreased by 2.0%, to PLN 194.5 bn, while term deposits of corporate customers grew by 4.6%, to PLN 92.9 bn.

In 2010, the growth in total loans remained at 8.7% year on year, which was a stabilisation of the lending activity when compared with the 8.7% year-on-year rise seen in 2009. The total value of loans in 2010 amounted to PLN 757.4 bn, i.e. 53.6% of GDP, against 51.8% of GDP in 2009. In 2010, the year-on-year growth rate for household loans was 14.0%, while in the case of corporate loans it was -0.9%, which represented moderate increases relative to 2009 (when the respective figures were 12.0% and -3.3% on a year-on-year basis). In 2010, growth in household loans was recorded mainly in the housing loan segment.

Our outlook for the macroeconomic business environment in 2011 is that the economic growth rate in Poland will stabilise at around 4% (we forecast GDP to grow by 3.9% in 2011), with an increasing inflation rate (average annual inflation rate of 3.8% in 2011) and continuing high

unemployment rate (approx. 11.5% at the end of 2010). In 2011, Poland's economy will develop at a rate slightly above its potential growth rate, which means that the inflationary pressure from domestic demand will be moderate, but high crude oil prices and growing food prices may increase the risk of the second-round effect. In 2011, the Monetary Policy Council will continue its gradual tightening of the monetary policy at the rate of 25 basis points per quarter (we expect that in 2011 the intervention rate will be raised by the total of 100 basis points, to 4.50% at the end of 2011). Over the next months, the Polish zloty should be sensitive to the high level of geopolitical risk (North African countries), with a significant volatility of the exchange rate, fluctuating around the level of PLN 4 per EUR 1. In the second half of the year, the zloty should gradually strengthen against the euro, on the back of increasing interest rates of the National Bank of Poland and as a result of privatisation. 2011 will probably see continuation of the relaxed fiscal policy, with the demand for Polish treasury bonds levelling off. The public debt to GDP ratio (according to the Eurostat's definition) will exceed 55% in 2011 (our forecast: 56.6%). However, thanks to the reform of the open-ended pension funds, the public debt ratio will be maintained below the 55% threshold (based on the definition used by the Polish government). In 2011, the yield curve should flatten. Over the next quarters, we expect a moderate recovery in lending activity, triggered by an activation of deferred demand from households, and a gradual acceleration of investments in the corporate sector.

CORPORATE AND INVESTMENT BANKING

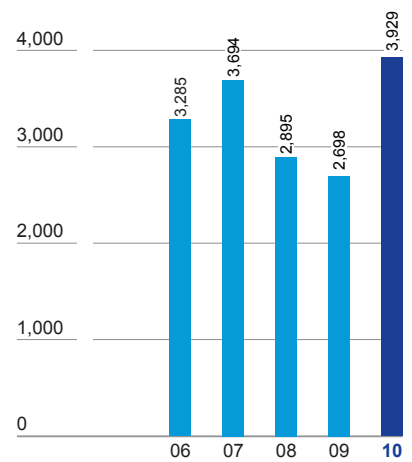
By working with Deutsche Bank teams in London, New York and Frankfurt, the Deutsche Bank Polska Group consolidated its position in Poland and developed its activity in the area of large transactions, mergers and acquisitions, arrangement of domestic and international public offerings, transactions on the stock market and financial advisory on large investment projects.

As part of investment banking services, in cooperation with Deutsche Bank A.G. acting as Joint Global Coordinator and Joint Bookrunner, Deutsche Bank Polska S.A. was involved in the sale of 10% of shares of KGHM Polska Miedz S.A. by the Ministry of State Treasury. The transaction, valued at more than PLN 2.0 bn, was effected through an accelerated bookbuilding process.

Another key transaction was the public offering of PZU S.A., the largest insurer in the region. It was the largest ever offering in Central and Eastern Europe, the largest transaction in Europe since 2007, and the largest offering in the insurance sector in five years. The value of the transaction, in which Deutsche Bank A.G. acted as Joint Bookrunner, was PLN 8.1 bn.

Deposits from customers

in PLN m.



We also supported Deutsche Bank A.G. in the execution of a rights issue for BRE Bank S.A., valued at nearly PLN 2.0 bn, where Deutsche Bank A.G. acted as Sole Bookrunner and Coordinator. It was the second largest rights issue in Poland.

A significant market transaction in which the Deutsche Bank Polska Group supported Deutsche Bank A.G., acting as Joint Bookrunner, was an issue of high yield bonds for ITI Holding and TVN S.A. with the total value of EUR 435 m.

Another major transaction on the Polish capital market was the sale of a 13% stake in PZU S.A. by Eureka B.V. Executed through an accelerated bookbuilding process, the deal was valued at more than EUR 1.0 bn. Deutsche Bank A.G. was involved in the transaction as Global Coordinator and Bookrunner.

In the financial advisory area, we cooperated with Deutsche Bank A.G. in preparing a fairness opinion for Deutsche Telecom, relating to the acquisition of shares in PTC S.A.

TRANSACTION BANKING – CASH MANAGEMENT AND TRADE FINANCE

In 2010, the Deutsche Bank Polska Group once again reported an increase in the number of transactions processed as part of its transaction banking services. In total, the Group processed nearly 11.5 m transactions, compared with 9 m transactions in 2009. The greatest growth dynamics was recorded for db-collect payments (a 163% increase) and direct debit transactions (up by 46%). At the same time, the Group maintained a stable 10% growth rate of outgoing payments.

Following the global strategy of the DB AG Group, in 2010 the Deutsche Bank Polska Group launched the SEPA payment service. As a flexible payment tool, fully integrated with our global e-banking service, the SEPA system enables our Clients to transfer international payments to the Bank in a single file. Thanks to this unique solution, the Clients gain access to SEPA transactions without the necessity to introduce any changes to their accounting systems.

In 2010, the transaction banking services provided by Deutsche Bank Polska S.A. were highly ranked for their quality in client satisfaction surveys. For the first time in its history, the Bank was also named the best cash management service provider in Poland, according to the annual survey carried out by the Euromoney magazine.

In 2010, the Bank continued to develop its trade finance business. One of the key factors that enable us to attract new Clients and achieve volume growth is the Internet platform for trade finance

transactions, integrated with the e-banking system operated by Deutsche Bank Polska S.A. Our system solutions give the Clients the possibility to submit orders for trade finance transactions via electronic channels and, at the same time, facilitate transaction management across the entire group, also at the Client's foreign subsidiaries. The configuration of the systems enables ongoing monitoring of the status of individual transactions and offers clear information about all incurred costs. Last year also witnessed a significant rise in the number and volume of transactions executed at the request of foreign banks. All this proves that our Bank enjoys the trust of both corporate Clients and financial institutions.

SERVICES TO FINANCIAL INSTITUTIONS

Gradual stabilisation of financial markets led to improvement in financial and sales performance of financial institutions. The recovery of demand on financial markets, coupled with the concurrent inflow of assets to investment funds, translated into an increase in Client activity and the number of transactions processed in Client accounts. Consequently, income from transaction banking services to financial institutions grew in 2010 by nearly 19% year on year.

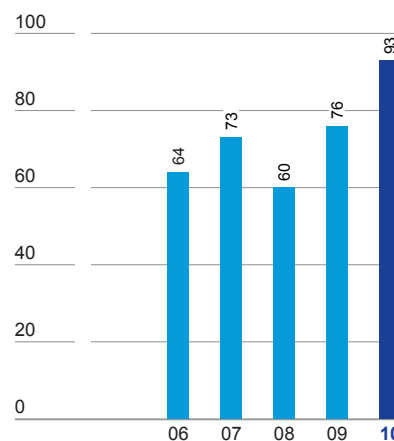
In 2010, we continued intensive selling activities, targeted mainly at domestic and foreign investment and pension funds, foreign banks investing on the Polish financial markets, and Polish branches of foreign banks. The competence and experience of our specialist staff, as well as our unique system solutions, were appreciated by the market, as evidenced by the growth in the number of the Bank's Client groups to 138 in 2010. As at the end of 2010, we maintained 428 accounts for financial institutions.

We expect that some sales activities initiated in 2010 will be successfully completed this year, particularly in the area of services to insurance companies and foreign funds.

The growth in the number of Clients in the financial institution segment and a concurrent intensification of their market activity were accompanied by an increase in the number of payments processed in 2010. The total number of payments processed grew by 29.8% relative to 2009, with a concurrent growth in the straight through processing ratio.

Jointly with the Product Development Department, and in close cooperation with the Clients, the Financial Institutions Department is making intense efforts to adapt and expand its product portfolio in order to meet Clients' needs and respond to changes in the Polish market and in global trends.

Net interest income
in PLN m.



CUSTODY SERVICES

In 2010, Deutsche Bank Polska S.A. provided custody services to 108 investment funds and both domestic and foreign financial institutions. After two years of the global crisis, in 2010 we saw a recovery in the value of Clients' assets to the pre-crisis level, which enabled us to maintain our strong position as a custodian bank providing services to nearly 25% of all investment funds in Poland. We also managed to substantially increase revenues from custody services.

Once again, Deutsche Bank Polska S.A. was highly ranked for the quality of its services. The industry magazine, Global Custodian, in its annual survey prepared based on opinions of banks' clients, awarded Deutsche Bank Polska S.A. with two Top Ratings, placing the Bank among the best banks offering custody services to cross-border clients, and ranking it top among the banks providing custody services to domestic institutions. This is a very prestigious distinction for us, especially considering that the ranking is based on clients' independent and anonymously expressed opinions.

In 2010, we launched a project to modify the model of securities lending for domestic and foreign Clients. The Group held on to its last-year's position as the main supplier of securities to the Automatic Securities Lending System operated by the Polish NDS.

We actively contribute to initiatives aimed at adapting the existing capital market regulatory framework in Poland to European requirements and the needs of the market. A representative of the Deutsche Bank Polska Group is a member of the Presidium of the Council of Custodian Banks at the Polish Bank Association. The Bank also participates in the activities of the Advisory Committee at the National Depository for Securities and of numerous other working groups operating under the auspices of the Polish Bank Association and the Polish NDS. Given the Deutsche Bank Polska Group's position on the securities lending market, our representative was also actively involved in the efforts of a working group for securities lending and short selling, established at the Warsaw Stock Exchange. This initiative opened new investment opportunities for clients in the Polish market.

MONEY MARKET AND FOREIGN EXCHANGE TRANSACTIONS

2010 saw a progressive improvement in the Deutsche Bank Polska Group's market position and revenues from foreign-currency and money-market transactions.

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Management Report on the Operations of the Deutsche Bank Polska Group in 2010

In 2010, the prestigious Euromoney magazine for the sixth time named Deutsche Bank AG the best and the largest bank for foreign exchange transactions, which ultimately confirmed its leading position on the global FX market in 2005-2010, achieved with the support of the Deutsche Bank Polska Group.

In the 2010 Euromoney FX poll the Deutsche Bank Polska S.A. was recognised as the best and the largest partner in FX transactions for financial institutions in Central Europe.

Deutsche Bank Polska S.A., a member of the Group, was also active on the local money market and in 2010 was again awarded the status of Treasury Securities Dealer.

Finally, in 2010 we successfully launched a transaction platform Autobahn Treasury and FX-4cash, a system supporting foreign-currency payments.

BROKERAGE ACTIVITIES

The key factor for the Group's brokerage activities in 2010 was the situation prevailing on stock markets in Europe and worldwide.

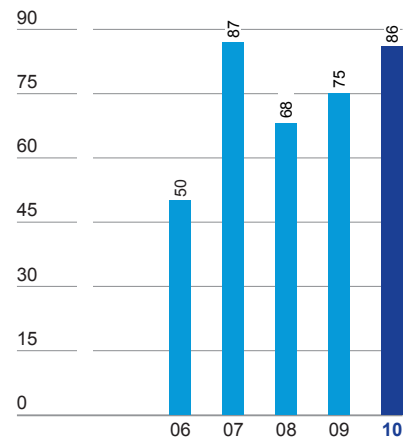
In 2010, the WIG index of the Warsaw Stock Exchange continued its slightly upward trend (started in March 2009), reflected also in the trading values, which stood at PLN 471.1 bn in 2010 relative to PLN 344.6 bn in 2009. The Group expanded its share in stock trading to 6.27% in 2010, compared with 3.70% in 2009. In the discussed period, our revenue from securities trading on the WSE grew by 37.27%.

MODERN IT TECHNOLOGY

IT technology at the Deutsche Bank Polska Group is effectively used to support the Group's operations. 2010 saw a stabilisation of the Group's IT environment with a view to achieving the best possible efficiency and cost optimisation. By developing selected systems and bringing them in line with the business requirements we were able to offer our Clients a portfolio of products which reflects the strategy adopted by the Group.

We gradually developed our products by implementing changes to the existing applications or by making necessary upgrades. Close cooperation with Deutsche Bank AG allowed us to expand the product portfolio with new solutions based on state-of-the-art technologies.

Net fee and commission income
in PLN m.



In 2010, we implemented infrastructure projects in selected areas, whose primary goal was to align our infrastructure with the applicable standards.

For a number of years, the Deutsche Bank Polska Group has been focusing on increasing process automation and offering wider access to technologically advanced products. We pursue these objectives by adapting our products to business requirements and enhancing selected processes.

RISK MANAGEMENT AT THE GROUP

Taking into account its business profile, the Group has identified the following key banking risks as material: credit risk, market risk, liquidity risk, and operational risk.

CREDIT RISK – the major risk involved in the Group's activities. It refers to the risk that a borrower will not be able to fully discharge their liabilities to the Group at scheduled dates and in the required amounts.

MARKET RISK – the risk arising from uncertainty relating to changes in market conditions that may be reflected in interest and foreign exchange rates, correlations between them and their volatility.

LIQUIDITY RISK – the risk of the Bank's being unable to repay its liabilities as they come due.

OPERATIONAL RISK – the risk of incurring a loss or unjustified expense as a result of inappropriate or faulty internal processes, human actions or technical systems, an impact of external circumstances or customer relationships.

The Group also identifies and actively manages reputation risk understood as the risk of negative effect of public disclosure of transaction details or customer relationship practices on the level of other market participants' confidence in the Group.

The monitoring and management of the risk areas listed above, including risk factors considered immaterial from the point of view of the Group's operations, makes it possible to mitigate the risks inherent in the Group's activities. Each of the types of risk is monitored and managed by relevant departments of the Bank, including the Loan Department, the Market Risk Management Department and the Legal/Compliance Department. A number of decisions related to risk assessment

and directions of the Group's risk management policy are made by special committees, in which the decision-making powers rest with members of the Management Board.

For a detailed description of the risks involved in the business of the Deutsche Bank Polska Group and their metrics see "Risk Report" contained in Note 3 to the 2010 consolidated financial statements prepared in accordance with the International Financial Reporting Standards endorsed by the EU.

The Group has in place a process for effective risk management and monitoring. In each area materially exposed to risk we use tools and metrics appropriate for individual risk types.

With a view to enhancing management systems, our tools and metrics used to monitor the Group's risk exposure are subject to regular reviews for their relevance, adequacy and reliability. The Group's most commonly used metrics include:

- Expected loss – statistically estimated expected loss on the Bank's loan portfolio,
- Value at risk (VaR) – expected maximum loss which the Bank may incur on the trading book based on the given probability level,
- Stress testing – scenario-based analyses which enable the Bank to assess effects of sudden and strong market disruptions on the Bank's liquidity and profitability.

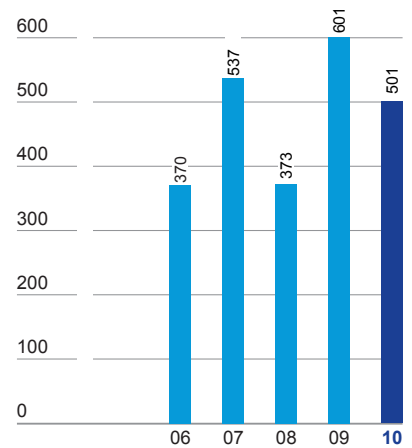
CREDIT RISK

The Group has in place a number of procedures designed to minimise its credit risk exposure. The procedures pertain in particular to the rules of assessing transaction risk, providing collateral for loans, and limiting credit exposures to a single customer or a group of customers having equity or organisational links.

Our loan portfolio quality is also protected by regular reviews and on-going monitoring of timely loan servicing and of the Clients' financial standing. Thanks to our credit policy, combined with effective credit risk management, as at the end of 2010, the Group had only one exposure with recognised impairment losses. The remaining impairment losses on the Group's loan portfolio were recognised in respect of losses related to credit risk that have been incurred but not yet reported. Credit-risk-related issues are regularly presented to the Business and Credit Committee by the Head of the Loan Department.

Below is presented the quality of our loan portfolio, including the amounts of impairment losses as well as incurred but not reported (INBR) losses in the portfolio as at the end of 2010 and 2009.

Pre-tax profit per employee
in PLN thd



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Management Report on the Operations of the Deutsche Bank Polska Group in 2010

in PLN thd	Dec 31, 2010	%	Dec 31, 2009	%
Loans and advances to customers	545,828	100.0%	853,946	100.0%
– threatened with impairment	19,487	3.6%	20,266	2.4%
– not threatened with impairment	526,362	96.4%	833,723	97.6%
Effective interest rate adjustment	(21)	-	(43)	-

in PLN thd	Dec 31, 2010	%	Dec 31, 2009	%
Impairment losses	(13,733)	100.0%	(11,152)	100.0%
– portfolio of loans threatened with impairment	(9,384)	68.3%	(9,789)	87.8%
– portfolio of loans not threatened with impairment	(4,349)	31.7%	(1,363)	12.2%

MARKET RISK

Market risk management at the Group consists primarily in the management of interest rate and currency risks relating to the trading and banking books. The Group's trading activities are subject to a system of limits determining the Group's maximum exposure to market risk. The limits are calibrated by the Market Risk Management Department and approved by the Bank's Management Board. Actual exposure is monitored against those limits on a daily basis by the Market Risk Management Department, whose findings are subsequently submitted for review by the Assets and Liabilities Committee. The market risk analysis carried out by the Bank is based on the Value-at-Risk method.

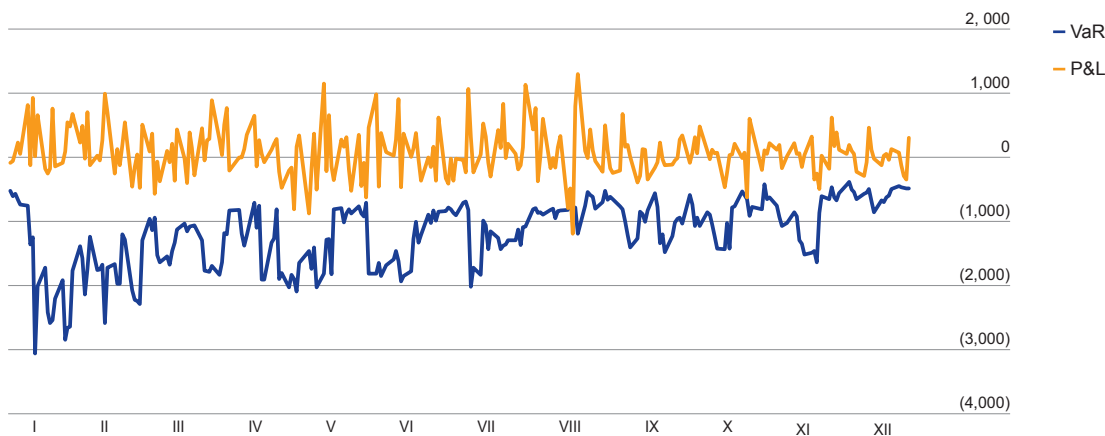
At the beginning of 2010, the Group resumed active management of the treasury securities portfolio. We successfully achieved our goal and regained the status of Treasury Securities Dealer for 2011.

The position taken on treasury bonds by the Global Rates Department (operating within Global Markets) was the main contributor to fluctuations of value at risk (VaR) in 2010.

The chart below presents the results of VaR back testing for market risk in 2010. As at the year end, one instance of exceeding VaR was recorded, as the actual loss on the bank's trading book exceeded the loss estimated with the VaR model for that day.

VaR backtesting

in PLN thd

**LIQUIDITY RISK**

The overall objective behind the liquidity risk management is to actively manage the Group's balance-sheet and its off-balance-sheet liabilities with a view to ensuring the Group's uninterrupted ability to meet its obligations as they fall due. The liquidity risk management is closely linked to the nature of the Group's business as well as its client base, and is determined by the following operational factors:

- maintaining the ability to meet payment obligations,
- meeting the mid- and long-term liquidity requirements,
- minimising the cost of maintaining financial liquidity,
- liquidity stress-testing.

The Group's financial liquidity is also influenced by a number of factors beyond the Group's control, such as the interest-rate policy, the policy framework for managing the banking system liquidity as adopted by the National Bank of Poland, legal regulations applicable in Poland and abroad, the economic climate in Poland, as well as the current situation on the money market.

As part of its all-inclusive liquidity risk management, the Group monitors – on a day-by-day basis – the cash-flow mismatches in particular time intervals, monitors the maximum limits of cash outflows, estimates the size of the stable deposit base, carries out regular stress tests, and analyses the concentration of the deposit base.

The Group's portfolio of treasury securities built with a view to ensuring its financial liquidity plays a crucial part in the liquidity risk management. As at the end of 2010, the portfolio was worth PLN 400 m. Changes to the portfolio's size are determined by the Assets and Liabilities Committee.

Another important instrument in securing the Group's financial liquidity is the Declaration of Backing issued by the Group's main shareholder – Deutsche Bank AG and published in Deutsche Bank AG's annual report.

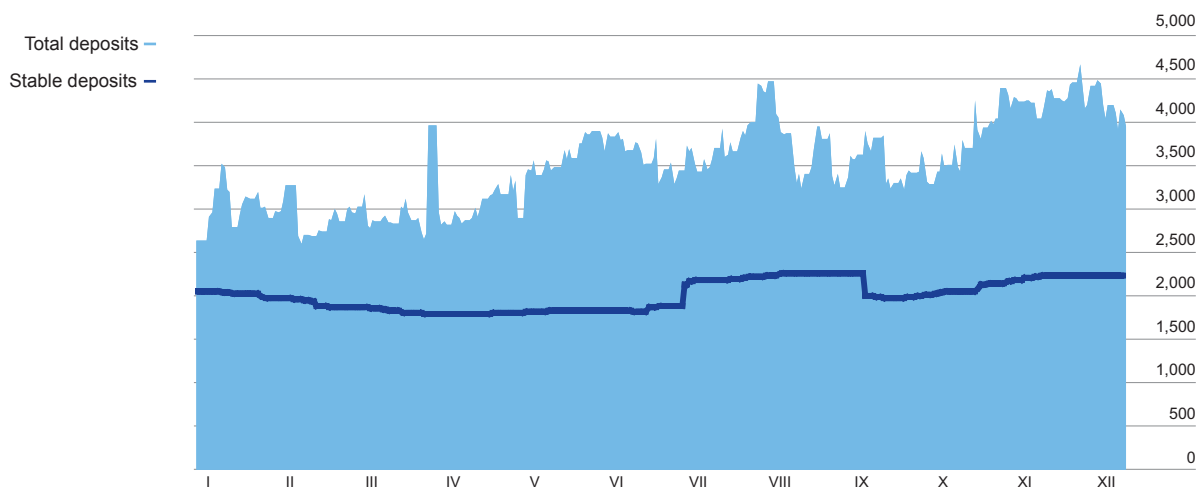
In order to mitigate liquidity risk in emergency situations, the Group has in place contingency plans approved by the Bank's management, to be applied in case of unforeseen difficulties with current financial liquidity.

Throughout 2010, the Group maintained high liquidity levels, and consequently the security of deposits placed with the Group was not threatened. In the discussed period, the Group experienced no difficulty in meeting the regulatory liquidity standards.

Below are presented changes in the Group's deposit base in 2010.

Stable Deposit Base

in PLN m.



OPERATIONAL RISK

The key objective behind the Group's operational risk management is to prevent incidents which generate operational risk and to reduce potential losses caused by such risk, while maintaining the highest quality of services provided to our Clients.

The Group places special emphasis on mitigating the operational risk through implementing policies and procedures pertaining to: approval of new clients, approval of newly developed products, approval of new systems, business continuity of the Bank under crisis scenarios, crisis management, and prevention of money laundering and fraud.

The operational risk management is a continuous process supported by experts from the Deutsche Bank Group, especially its Divisional Operational Risk Officers.

The process involves close cooperation and support to the Group's business. Therefore, the Group's functional structure has been designed to ensure efficient management of operational risk.

In the process of operational risk management, the Group has internal controls embedded in particular business processes and, based on their findings, it identifies areas of weakness in a given process which need to be improved or otherwise remedied to significantly reduce the risk of loss. The procedures, processes and the embedded internal controls undergo regular reviews and updates. The Bank has a system for recording incidents and their consequences, which allows it to perform both qualitative and quantitative analyses of operational risk. Assessments of employee reliability and analysis of personnel-related processes are also recorded in the system.

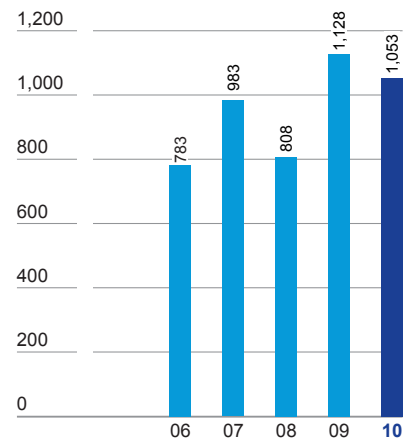
ORGANISATIONAL AND FINANCIAL STRUCTURE

2010 was a year of stabilising the organisational structure of the Group which emerged after the changes introduced in 2009. During the year, we developed a Global Market Rates unit responsible for proprietary trading, which focuses on trading in treasury securities. Its operations provide the Group with an additional source of income and perfectly complement our services of intermediation in securities trading on the secondary market. The Global Market Rates activity earned us the Treasury Securities Dealer status for 2011.

Over the year, the headcount at the Group did not changed materially.

Net income per employee

in PLN thd



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The Group constantly supports its employees' professional development by offering various training courses, which are conducted externally or within the DB AG Group. These courses cover new banking products, IT systems, accounting standards, as well as interpersonal and managerial skills. The investment into the professional advancement of our employees brought a positive result of improving the Group's efficiency ratios, calculated as income or profit divided by the number of persons employed.

The table below presents changes in the Group's statement of financial position which occurred in 2010 (all figures in PLN '000).

Assets

	Dec 31, 2010		Dec 31, 2009		Change %
	in PLN thd	structure %	in PLN thd	structure %	
Cash in hand and balances with Central Bank	1,209,910	23.7%	260,675	5.9%	364.1%
Deposits in other banks, and loans and advances to other banks	421,652	8.3%	971,213	21.9%	(56.6)%
Financial assets at fair value through profit or loss	2,377,246	46.6%	1,574,772	35.6%	51.0%
Loans and advances to customers	532,095	10.4%	842,795	19.0%	(36.9)%
Financial assets held as investment	419,642	8.2%	543,612	12.3%	(22.8)%
Property, plant and equipment	5,744	0.1%	7,182	0.2%	(20.0)%
Intangible assets	1,264	0.0%	1,901	0.0%	(33.5)%
Current tax receivables	1,285	0.0%	4,150	0.1%	n.d.
Deferred tax asset	31,622	0.6%	40,714	0.9%	(22.3)%
Other assets	99,095	1.9%	182,544	4.1%	(45.7)%
Total assets	5,099,555	100.0%	4,429,558	100.0%	15.1%

Liabilities and equity

	Dec 31, 2010		Dec 31, 2009		Change %
	in PLN thd	structure %	in PLN thd	structure %	
Deposits from banks	302,320	5.9%	714,220	16.1%	(57.7)%
Financial liabilities at fair value through profit or loss	113,371	2.2%	179,818	4.1%	(37.0)%
Deposits from customers	3,928,505	77.0%	2,698,002	60.9%	45.6%
Provisions	2,620	0.1%	2,431	0.1%	7.8%
Current tax liabilities	1,400	0.0%	2,911	0.1%	(51.9)%
Deferred tax liability	18,096	0.4%	32,528	0.7%	(44.4)%
Other liabilities	85,627	1.7%	147,102	3.3%	(41.8)%
Total liabilities	4,451,939	87.3%	3,777,012	85.3%	17.9%
Total equity	647,616	12.7%	652,546	14.7%	(0.8)%
Total liabilities and equity	5,099,555	100.0%	4,429,558	100.0%	15.1%

As at December 31st 2010, total assets were by 15.1% higher year on year, the main driver of this increase being a steady growth of the deposit base throughout the year. The Group in-

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vested the funds to develop the Global Market Rates' operations, which resulted in a marked growth in the securities portfolio relative to the end of 2009 (up by 51%).

Other significant changes in the structure of assets included a 37% drop in loans and advances to customers. It mainly affected term loans, representing 78% of the entire loan portfolio as at the end of 2010. Throughout the year, the Group continued its strategy of financing only corporate customers.

On the other hand, deposits from customers grew significantly (by 46%) in 2010, to over PLN 3.9 bn. The growth is evidence of the Clients' trust and competitiveness of our cash management offering. Another material growth driver was our strong position on the market of deposit products denominated in foreign currencies.

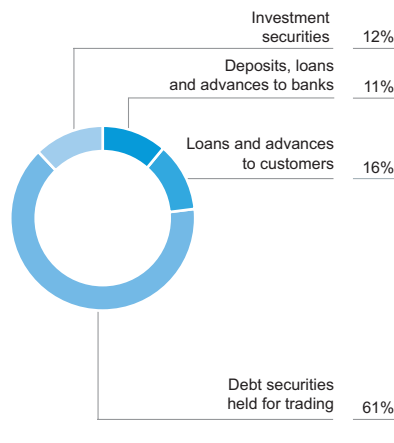
The table below contains the Group's consolidated income statement for the year ended December 31st 2010, together with comparative data (PLN '000).

Consolidated Income Statements for 2010 and 2009

in PLN thd

	Jan 1 - Dec 31, 2010	Jan 1, - Dec 31, 2009	Change %
Interest income	192,260	175,536	9.5%
Interest expense	(96,988)	(99,364)	(2.4)%
Net interest income	95,272	76,172	25.1%
Impairment losses	(2,402)	(4,282)	(43.9)%
Net interest income after impairment losses	92,870	71,890	29.2%
Fee and commission income	135,381	102,140	32.5%
Fee and commission expense	(49,545)	(26,765)	85.1%
Net fee and commission income	85,836	75,375	13.9%
Dividend received	87	-	n.d.
Net trading income	50,409	89,904	(43.9)%
Other operating income	10,613	21,007	(49.5)%
Other operating expenses	(147)	(1,044)	(85.9)%
Banking profit	239,668	257,132	(6.8)%
General and administrative expenses	(121,759)	(116,942)	4.1%
Depreciation/amortisation of tangible and intangible assets	(3,982)	(3,239)	22.9%
Pre-tax profit	113,927	136,951	(16.8)%
Corporate income tax	(23,093)	(23,685)	(2.5)%
Net profit	90,834	113,266	(19.8)%
Earnings per share (PLN)	394,930	492,460	(19.8)%
Diluted earnings per share (PLN)	394,930	492,460	

Structure of 2010 interest income



In 2010, the Group generated a pre-tax profit of PLN 114 m and a net profit of almost PLN 91 m, down by nearly 17% and nearly 20%, respectively, on the previous year.

The decreased results were brought about by a number of factors, including lower effective interest margins and trading income from margin hedging instruments, which were in turn driven by low interest rates prevailing throughout the year. Despite this fact, the Group's 2010 performance is consistent with the plans and adopted strategy.

Net interest income advanced 25% year on year, driven primarily by the profitability of the securities portfolio, which was at a relatively high level compared with the portfolio financing cost. However, the higher yields were reflected in drops of market prices of securities, which in turn translated into a decrease in net trading income. Moreover, in 2010, the Group changed the financing structure in respect of the DB AG Group's undertakings operating on the Polish market by reducing financing in foreign currencies. This caused a shift of trading income towards assets bearing higher nominal interest (in PLN) and reduced FX gains on transactions hedging the then existing financing in foreign currencies (mainly CHF).

STRUCTURE OF 2010 INTEREST INCOME

In 2010, income from debt securities represented the largest share of interest income. As already mentioned above, this was partly attributable to the higher yields of securities and a material increase in their share in the Group's assets over the year. Interest income from securities represented 61% of total interest income, having risen by nearly 53% year on year. Over the same time, the share of interest income from deposits, loans and advances to banks dropped by 51% and had the least share in total interest income (11%). The other interest income categories remained flat with the respective previous-year figures and were closely related to the value of the respective items of assets over the year. For instance, loans and advances to customers stayed, on average, at a level similar to that recorded in 2009, despite a clear decrease in balances as at the last day of the reporting year.

STRUCTURE OF 2010 FEE AND COMMISSION INCOME

The growth in the net fee and commission income is chiefly attributable to commissions on investment advisory services in the area of financing and/or fund raising. Another materially contributing item was commissions for bulk transfers, including in particular for domestic transfers. Besides brokerage fee and commission, the largest proportion of the fee and commission income is represented by fees for transaction banking services. In total, domestic and foreign

transfers generated fee and commission income of nearly PLN 53 m, which corresponds to 39% of the total fee and commission income.

The Group responded to the lower income with tighter cost discipline, and reported a low cost increase (4% year on year). Thus, it was able to maintain key efficiency ratios at satisfactory levels, representing some of the best values ever recorded in the Group's history.

Key financial indicators

	2010	2009
ROE (net)	17%	21%
ROE (gross)	22%	26%
CIR	53%	46%
Compensation ratio	20%	17%
Non-compensation ratio	33%	29%
Capital adequacy ratio	26%	23%

OUTLOOK

In 2011, the Group intends to increase its income by at least 10%, especially in terms of trading income, and fee and commission income. The expected economic upturn and the strengthening position of the DB Group in Poland should be supportive to achieving this target. Continuing the prudent policy with respect to operating expenses, we expect at least 10% growth of pre-tax profit year on year.

We will continue to develop our cooperation with the public sector. Given our experience and a record of transactions executed for the public administration, we are well positioned to serve as an expert in financing long-term investment needs in the sector.

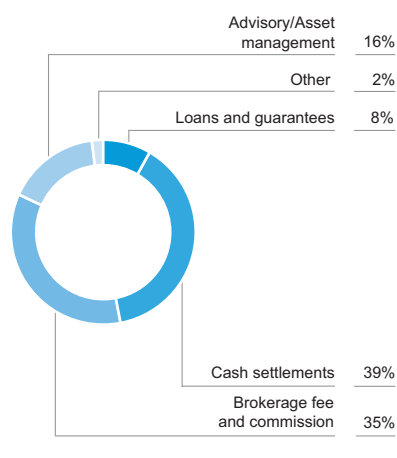
We plan to strengthen and enhance our position in the custody services area, focusing in particular on services to international Clients.

In the area of brokerage activities, our paramount objective will be to increase our share in stock trading on the Warsaw and Budapest exchanges, and to win a place among top research departments in Central and Eastern Europe in institutional investor rankings.

We will concentrate our efforts on providing our key consultancy services in the broadly defined investment banking area, including optimisation of balance-sheet structure, risk profile expo-

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Structure of 2010 fee and commission income



sure, and optimum use of capital raising possibilities currently offered by the capital markets. The vast experience we have amassed in this area will be leveraged in the course of cooperation with our Clients.

We also intend to exploit the global position of the Deutsche Bank Group and play a key role in the markets of foreign exchange transactions and derivative instruments. We are also committed to continual development of cooperation between the Deutsche Bank Group companies in Poland.

(signature)

(signature)

(signature)

(signature)

Krzysztof Kalicki
President of the
Management Board

Zbigniew Bętkowski
Member of the
Management Board

Radosław Ignatowicz
Member of the
Management Board

Radosław Kudła
Member of the
Management Board

Warsaw, May 9th 2011

Consolidated Financial Statements

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Consolidated Income Statement

Consolidated Income statement for 2010 and 2009

in PLN thd	Note	Jan 1, 2010 – – Dec 31, 2010	Jan 1, 2009 – – Dec 31, 2009
Interest income	[6]	192,260	175,536
Interest expense	[7]	(96,988)	(99,364)
Net interest income		95,272	76,172
Impairment losses	[8]	(2,402)	(4,282)
Net interest income after impairment losses		92,870	71,890
Fee and commission income		135,381	102,140
Fee and commission expense		(49,545)	(26,765)
Net fee and commission income	[9]	85,836	75,375
Dividend received		87	-
Net trading income	[10]	50,409	89,904
Other operating income		10,613	21,007
Other operating expenses		(147)	(1,044)
Banking profit		239,668	257,132
General and administrative expenses	[11]	(121,759)	(116,942)
Depreciation/amortisation of tangible and intangible assets		(3,982)	(3,239)
Pre-tax profit		113,927	136,951
Corporate income tax	[12]	(23,093)	(23,685)
Net profit		90,834	113,266
Earnings per share (PLN)	[13]	394,930	492,460
Diluted earnings per share (PLN)	[13]	394,930	492,460

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for 2010 and 2009

in PLN thd	Jan 1, 2010 – – Dec 31, 2010	Jan 1, 2009 – – Dec 31, 2009
Net profit	90,834	113,266
Other components of comprehensive income		
Valuation effect on debt securities available for sale (after income tax)	17,214	(155)
Other components of comprehensive income	7	59
Total comprehensive income	108,055	113,170

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Consolidated Financial Statements of Deutsche Bank Polska S.A. for the Year 2010

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position as at December 31st 2010 and December 31st 2009

Assets

in PLN thd	Nota	Dec 31, 2010	Dec 31, 2009
Cash in hand and balances with Central Bank	[14]	1,209,910	260,675
Deposits in other banks, and loans and advances to other banks	[15]	421,652	971,213
Financial assets at fair value through profit or loss	[16]	2,377,246	1,574,772
Loans and advances to customers	[17]	532,095	842,795
Financial assets held as investment	[18]	419,642	543,612
Tangible assets	[19]	5,744	7,182
Intangible assets	[20]	1,264	1,901
Current income tax receivables		1,285	4,150
Deferred tax asset	[21]	31,622	40,714
Other assets	[22]	99,095	182,544
Total assets		5,099,555	4,429,558

Liabilities and equity

in PLN thd	Nota	Dec 31, 2010	Dec 31, 2009
Deposits from banks	[23]	302,320	714,220
Financial liabilities at fair value through profit or loss	[24]	113,371	179,818
Deposits from customers	[25]	3,928,505	2,698,002
Provisions	[26]	2,620	2,431
Current tax liabilities		1,400	2,911
Deferred tax liability	[27]	18,096	32,528
Other liabilities	[28]	85,627	147,102
Total liabilities		4,451,939	3,777,012
Share capital	[29]	230,000	230,000
Share premium	[30]	195,000	195,000
Revaluation capital reserve	[31]	(4,307)	(21,528)
Retained earnings	[32]	226,923	249,074
Total equity		647,616	652,546
Total liabilities and equity		5,099,555	4,429,558

Statement of Changes in Consolidated Equity

Changes in the period January 1st 2010 – December 31st 2010

in PLN thd	Share capital	Share premium	Revaluation capital reserve	Retained earnings (deficit) brought forward	Total Equity
Balance as at January 1st 2010	230,000	195,000	(21,528)	249,074	652,546
Valuation of financial assets available for sale	-	-	17,686	-	17,686
Deferred income tax on valuation of financial assets available for sale	-	-	(472)	-	(472)
Other revaluations reserves	-	-	7	-	7
Net profit	-	-	-	90,834	90,834
Dividend paid	-	-	-	(112,985)	(112,985)
Transfer to reserves	-	-	-	-	-
Balance as at December 31st 2010	230,000	195,000	(4,307)	226,923	647,616

Changes in the period January 1st 2009 – December 31st 2009

in PLN thd	Share capital	Share premium	Revaluation capital reserve	Retained earnings (deficit) brought forward	Total Equity
Balance as at January 1st 2009	230,000	195,000	(21,432)	197,431	600,999
Valuation of financial assets available for sale	-	-	3,374	-	3,374
Deferred income tax on valuation of financial assets available for sale	-	-	(3,529)	-	(3,529)
Other revaluation capital reserve	-	-	59	-	59
Net profit	-	-	-	113,266	113,266
Dividend paid	-	-	-	(61,625)	(61,625)
Transfer to reserves	-	-	-	2	2
Balance as at December 31st 2009	230,000	195,000	(21,528)	249,074	652,546

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Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

in PLN thd

	Jan 1, 2010 – – Dec 31, 2010	Jan 1, 2009 – – Dec 31, 2009
Operating cash flows		
Net profit (loss)	90,834	113,266
Adjustments for:	494,795	(444,863)
Depreciation/amortisation	3,982	3,239
Accrued interest (from income statement)	-	(31)
Gain/(loss) on investing activities	(51)	(167)
Income tax (from income statement)	23,093	23,685
Income tax paid	(27,306)	(20,988)
Increase/decrease in deposits, and loans and advances to other banks	235,190	2,475,018
Increase/decrease in financial assets at fair value through profit or loss	(802,473)	(981,101)
Increase/decrease in financial assets held as investment	(22,749)	(28,298)
Increase/decrease in loans and advances to customers	310,700	159,089
Increase/decrease in other assets	83,449	(89,588)
Increase/decrease in deposits from banks	(411,900)	(1,318,136)
Increase/decrease in liabilities at fair value through profit or loss	(66,447)	(518,310)
Increase/decrease in deposits from customers	1,230,503	(197,036)
Increase/decrease in provisions	189	(3,553)
Increase/decrease in other liabilities	(61,385)	51,314
Net cash used in operating activities	585,629	(331,597)
Investing cash flows		
Acquisition of tangible and intangible assets	(1,923)	(3,785)
Disposal of tangible and intangible assets	70	367
Acquisition of shares	-	(18)
Interest and buyout inflows provided by investing activities	164,073	50,110
Net cash provided by (used in) investing activities	162,220	46,674
Financing cash flows		
Dividends paid	(112,985)	(61,625)
Net cash used in financing activities	(112,985)	(61,625)
Increase/decrease in net cash	634,864	(346,548)
Cash at beginning of period	979,908	1,326,456
Cash at end of period	1,614,772	979,908

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[1] General Information on the Group

The Deutsche Bank Polska Group (“the Group”) comprises Deutsche Bank Polska S.A. (“the Bank”) as the parent entity, and a subsidiary undertaking (DB Securities S.A.), which is of strategic importance for the Group as its business is complementary with respect to the Bank’s business profile.

Deutsche Bank Polska S.A., the parent undertaking, is a member of the Deutsche Bank AG Group.

Deutsche Bank Polska S.A. – the Parent Entity

Deutsche Bank Polska S.A. (“the Bank”) was established pursuant the Governor of the National Bank of Poland’s Decision No. 2/95 of June 30th 1995. The Bank was originally registered with the District Court of Warsaw on August 9th 1995, and launched its services on October 11th 1995. On June 28th 2001, the District Court for the Capital City of Warsaw updated entry No. KRS 20832 in the National Court Register.

The scope of the Bank’s business includes provision of banking services in domestic and foreign transactions and, to the extent permitted by law, other services to natural persons, legal entities, partnerships and other non-incorporated business organisations, and international organisations. The Bank also offers investment banking services and products.

In accordance with the Bank’s Articles of Association, the Bank’s business includes:

- Acceptance of demand or term deposits and maintenance of deposit accounts,
- Maintenance of other bank accounts,
- Execution of banking cash settlements,
- Issuance of payment cards and execution of payment card transactions,
- Cash lending,
- Execution of transactions involving cheques and bills of exchange,
- Purchase and sale of debt,
- Issuance of sureties and bank guarantees,
- Execution of foreign exchange transactions,
- Safekeeping of valuables and securities and provision of safe deposit boxes,
- Issuance of and trading in bank securities,
- Contract-based execution of tasks related to issuance of securities,
- Execution of forward financial transactions,
- Performance of banking services commissioned by other banks.

DB Securities S.A. – the Subsidiary

As at 31 December 2010, the Bank owned 100% of share capital of DB Securities S.A., consolidated subsidiary.

In accordance with the terms of the licence issued by the Polish Securities and Exchange Commission on August 7th 2001, DB Securities S.A.'s business includes in particular:

- Offering securities on the primary market or as part of initial public offerings;
- Buying and selling securities on another person's account;
- Keeping securities accounts and auxiliary cash accounts;
- Acting as an agent in the purchase and sale of securities traded on foreign regulated markets;
- Performing actual and legal actions as part of services provided to investment fund companies, investment funds, pension fund companies and pension funds;
- Performing actions related to trading in property rights.

[2] Key Accounting Policies

Compliance Statement

These annual consolidated financial statements of Deutsche Bank Polska Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union, and other applicable regulations.

The Bank's financial year covers the period of 12 months ending on December 31st. The financial statements are prepared in the Polish zloty, which is the Group's functional currency, and the amounts are rounded to the nearest thousand.

These financial statements of Deutsche Bank Polska Group have been approved by the Management Board on May 9th 2011.

Basis of Preparation of the Financial Statements and Valuation of Assets and Liabilities

To measure financial assets and liabilities at fair value through profit or loss, and financial assets classified as available for sale, the Group applies the concept of fair value determined based on market prices or recognised valuation models.

Other financial assets and liabilities (including loans and advances) and those financial assets and liabilities subject to measurement at fair value in the case of which the fair value cannot be determined, are valued at amortised cost less impairment losses, or at acquisition cost less impairment losses.

Effects of changes in accounting estimates are recognised in the current reporting periods, while changes in the accounting policies are applied by adjusting the results recorded in the current period and in the previous years by appropriate amounts.

The accounting policies presented below have been applied with respect to all reporting periods presented in these financial statements.

Earlier Application of the IFRS which Have Not Taken Effect Yet

Standards, amendments to the existing standards and interpretations issued by the International Financial Reporting Interpretations Committee, either endorsed or not effective in the current reporting period, or pending endorsement by the European Commission, are not applicable to the Group's consolidated financial statements or, if applied, would not have a material effect on these financial statements.

Consolidation

The subsidiary undertaking is an entity with respect to which the Group has the capacity to direct its financial and operating policies by holding 100% of the total vote at the subsidiary's General Shareholders Meeting, which in practice gives the Group real influence over the key decisions concerning the subsidiary's activities.

The subsidiary undertaking is subject to consolidation from the date the Group gained control over it. The Group will cease to consolidate its subsidiary undertaking on the date when it ceases to exercise control over it. Acquisition of subsidiaries is accounted for using the purchase method.

The cost of acquisition is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities acquired as part of the business combination are initially recognized at their fair values at the acquisition date, irrespective of the size of any possible minority interests. Any excess of the acquisition cost over the fair value of the Group's share in identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is lower than the fair value of the net assets of an acquired subsidiary, the difference is charged directly to the income statement.

Any balances and unrealised profits from transactions between the Group companies are eliminated on consolidation. Any unrealised losses are also subject to elimination, unless the transaction provides evidence of impairment of the asset given.

Interest Income and Expense

Interest income comprises interest received or receivable on loans, inter-bank deposits and securities, computed at the effective interest rate, and where the effective interest rate cannot be determined, at the nominal contractual rate.

The effective interest rate is the rate which discounts future cash inflows or outflows to the net carrying amount of a financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of a given financial instrument (for instance, a prepayment option), without taking into account potential future credit losses. The calculation factors in all payments made or received by the parties to the agreement (e.g. loan origination fees, prepayment fees).

Interest income comprises interest and those fees and commissions received or receivable on loans, inter-bank deposits and securities held to maturity, which have been taken into account in calculating the effective interest rate. Interest income related to the reporting period is recognised in the income statement on an accrual basis.

Upon recognition of an impairment loss on a financial asset, interest income is recognised at the interest rate that discounts the future cash flows for the purpose of measuring the impairment loss.

Interest expense comprises interest paid or accrued on clients' deposits, on own securities in issue and other contracted liabilities, calculated at amortised cost.

Interest payable is accrued at the end of each day. Interest expense related to the reporting period is recognised in the income statement on an accrual basis.

Fee and Commission Income and Expense

Fee and commission income comprises all amounts other than interest on loans and advances and on other banking services. Fees and commissions also include fees collected by the Group on cash transactions, maintenance of clients' accounts, execution of money transfers, issuance of letters of credit brokerage activities and other transactions.

Fee and commission expense comprises amounts paid on contracted loans as well as on financial and foreign exchange transactions.

Fees and commissions revenues and expenses are included in the profit and loss account on an accrual basis. Fees received or paid on one-off operations for a specific service are recognized in the income statement once at the time of service. This type of commission includes commissions for settlements, management of bank accounts, trust services, securities.

Fees and commissions which can be taken into account when calculating the effective interest rate are accounted for and recognized as interest income.

Fees and commissions received or paid in connection with credit exposures (in the case of instruments generating cash flows which cannot be determined) are recognized in accordance with the straight-line method in the income statement over the term of the agreement concluded with the client.

Fees and commissions received or paid in connection with sale of derivatives like options are presented net.

Net Trading Income

Net trading income comprises gains and losses on transactions involving financial instruments initially classified as ones to be measured "at fair value through profit or loss". "Foreign exchange gains (losses)" comprise gains and losses on spot transactions as well as forward contracts, options, futures and gains and losses on translation of

the values of assets and liabilities expressed in foreign currencies. "Interest-bearing instruments" comprise the profit (loss) on trading in money-market instruments, interest rate and currency swaps, options and other derivatives.

Measurement of Items Expressed in Foreign Currencies

Transactions expressed in foreign currencies are translated into the functional currency (the Polish zloty) at the exchange rate applicable on the transaction date. Foreign exchange gains and losses on the settlement of such transactions and on the balance-sheet valuation of monetary assets and liabilities expressed in foreign currencies are disclosed in the income statement.

Other Operating Income and Expenses

Other operating income and expenses include income and expenses which are not directly related to the banking activities. These include in particular income and expenses received or incurred on account of disposal and liquidation of non-current assets, revenue from the lease of office premises, received and paid compensations, penalties and fines, the costs of court and notary fees and collection proceedings.

Cash and Cash Equivalents

Cash and cash equivalents include: cash in hand and vault cash, cash in the nostro account at the central bank, and cash in current accounts at other banks.

Hedge Accounting

The Group does not apply hedge accounting.

Financial Assets and Liabilities

The Group classifies financial instruments into the following categories: financial assets or liabilities measured at fair value through profit or loss; financial instrument held to maturity; loans and advances; and financial assets available for sale.

Financial Assets and Liabilities Measured at Fair Value Through Profit or Loss

The Group classifies a financial instrument as measured at fair value through profit or loss if at least one of the following conditions is met:

- 1) the instrument is classified as held for trading,
- 2) the instrument was designated on initial recognition as an instrument to be measured at fair value through profit or loss.

The Group classifies financial instruments as held for trading if they are:

- a) acquired for the purpose of selling or repurchasing them in a short term,
- b) part of an identified portfolio of financial instruments for which there is a specific management strategy generating short-term gains,
- c) derivatives.

The Group classifies financial instruments as measured at fair value through profit or loss if a planned investment strategy is pursued, covering both financial assets and liabilities, and the results of the strategy are measured and monitored on an ongoing basis by the Group's management.

Financial Instruments Held to Maturity

Financial instruments held to maturity comprise financial assets which are not derivatives, with fixed or determinable payments and a fixed maturity, with respect to which the Group on their initial recognition expressly intended to hold them to maturity.

Loans and Advances

Loans and advances are financial instruments with pre-fixed or determinable cash flows, whose recovery is largely contingent upon the credit risk associated with the borrower and which are not quoted on active financial markets and are not instruments measured at fair value through profit or loss or instruments classified as available for sale.

Financial Assets Available for Sale

Financial instruments available for sale are financial assets which are not derivatives and which have been designated as available for sale, or financial assets other than:

- a) loans and advances,
- b) financial instruments held to maturity,
- c) financial assets at fair value through profit or loss.

Financial Liabilities Not Held for Trading

Financial liabilities other than those held for trading are measured and presented in the financial statements at amortised cost.

Recognition and Measurement of Financial Instruments

A financial asset or financial liability is initially recognised at fair value, in the case of a financial asset or financial liability not classified as one to be measured at fair value through profit or loss, the fair value is increased by the transaction costs which may be directly attributed to the acquisition or issue of such financial asset or financial liability.

Following initial recognition, the Group measures financial assets, including derivatives disclosed as assets, at fair value without reducing the fair value by transaction costs which may be incurred in connection with their sale or other disposal, except for (a) loans and receivables, which are measured at amortised cost using the effective interest rate method; (b) financial instruments, held to maturity which are measured at amortised cost using the effective interest rate method.

Fair value of debt securities held in trading portfolio is measured using published price quotations, while fair value of derivatives is established based on valuation techniques with observable market parameters. In case of structured

swap contracts the Group to measure fair value uses valuation techniques with unobservable data that includes internal assessment of the credit risk factor.

A standard purchase and sale of financial assets measured at fair value through profit or loss, held to maturity and available for sale, is recognised on the transaction settlement date. Loans and advances are recognised in the balance sheet at the moment of cash disbursement.

Financial assets are derecognised from the balance sheet when the rights to the cash flows from such assets have expired or were transferred and the Group transferred substantially all risks and benefits incidental to the ownership of the assets.

Financial liabilities are derecognised from the balance sheet when the liability has expired, has been repaid, cancelled or transferred to another entity.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and disclosed in the balance sheet at net amounts if there is a legally enforceable right to offset the disclosed amounts and the Group intends to settle them at net amounts or realise a given asset and settle a given liability at the same time.

Impairment of Financial Assets

(a) Assets Measured at Amortised Cost

When determining the value of a financial asset, the Group assesses whether there exists objective evidence of an impairment of value of the asset. Impairment of a financial asset may be recognised if there is objective evidence of impairment as a result of an event or events which took place after the initial recognition of the asset, if such event may impact future cash flows related to the asset. Objective evidence of impairment of an asset may be any of the following events of which the Group became aware before performing an impairment test:

- there is delay in repayment of, or failure to repay, principal instalments, interest or other amounts due to the Group as required under the relevant agreement, with the proviso that such event is deemed to have occurred if the delay in payment of the most aged receivable exceeds 90 days,
- the client is granted, for economic or legal reasons, a facility, including debt restructuring through the conclusion of an annex to the relevant agreement or another form of amendment to the original terms and conditions of the agreement (e.g. an extension of the loan term, change in payment schedules, change in security value or change in the interest margin charged), which would not be otherwise considered by the Group,
- a part of the loan principal or interest due is written off, for instance as part of an arrangement or settlement with the client, or the receivable is transferred to off-balance-sheet records,
- the agreement is terminated by the Group and/or internal restructuring or collection procedures are commenced with respect to the credit exposure,

- the client is declared bankrupt or files for bankruptcy, or bankruptcy procedure is instituted against the client,
- there is an adverse change in the client's economic and financial standing, including in particular the occurrence of early warning signs, or the client rating being downgraded.

The Group first checks whether there is an objective evidence of impairment of particular material financial assets tested in groups or on an individual basis. If the Group finds that for a given financial asset tested on an individual basis there is no objective evidence of impairment (whether such an asset is material or not), such an asset is included in the group of financial assets with similar credit risk characteristics, which is then tested for impairment as a whole. The financial assets with respect to which an impairment loss was recognised based on individual assessment are not included in the collective impairment test.

Impairment value of a financial asset valued at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted with the effective interest rate or nominal interest rate (in the case of assets for which the effective interest rate is not determined). Following recognition of an impairment of a financial asset, the value of the asset is reduced, and the impairment loss is charged to the income statement and disclosed in the line adjusting "net interest income".

When estimating the present value of future cash flows related to a hedged financial asset, the Group takes into account all probable cash flows, including any potential inflows resulting from the foreclosure of security provided for such an asset, less the costs of its acquisition and sale.

Own receivables and advances are written off through impairment losses on loans, after it is determined that further collection proceedings will probably be ineffective. The Group derecognises receivables from the balance sheet when it loses control over the rights attached to the receivables. Control is lost when the rights under a relevant agreement expire or when the Group waives those rights, i.e. sells or cancels the receivables and when no cash flows from the receivables are expected.

If an amount which has been written off is recovered within six months from the date on which the receivable was written off, the amount of impairment losses on loans is reduced appropriately in the income statement. If the Group recovers receivables which have been written off after six months from the date of the write-off, the recovered amounts are recognised under other operating income.

(b) Assets Measured at Fair Value

When identifying impairment of financial assets measured at fair value, the Group follows the same rules as in the case of financial assets measured at amortised cost and, additionally, identifies events which may be evidence of a long-term loss of market liquidity of the asset or a collapse (discontinuation) of the market on which the financial asset was traded.

The assets measured at fair value which the Group tests for impairment are debt securities classified as available for sale.

Impairment of a debt security classified as available for sale is charged to the income statement. If the fair value of a debt instrument classified as available for sale subsequently increases, and the increase may be directly attributed to an event which occurred following the recognition of impairment in the income statement, impairment losses are charged to the income statement.

Tangible and Intangible Assets

Tangible and intangible assets are disclosed at acquisition cost less cumulative depreciation/amortisation and impairment losses.

All tangible and intangible assets have definite economic useful lives and are depreciated/amortised with the straight-line method over their expected useful economic lives, using the following depreciation/amortisation rates:

Investments in third-party tangible assets	10%
Computers	25–60%
Motor vehicles	20–40%
Furniture	10–20%
Telecommunications equipment	20%
Licences, software	10–50%

The depreciation rates applied by the Group were set based on the expected economic useful lives of tangible assets.

Depreciation charges are made following completion of the investment, when a given tangible asset is complete and fit for use.

Depreciated tangible assets are tested for impairment whenever there occurs an event or a change of circumstances which indicates that the carrying value of the asset may be irrecoverable. If the carrying value of a tangible asset exceeds the estimated recoverable value, the carrying value is immediately reduced to the recoverable value. Recoverable value is the higher of: the fair value of a tangible asset less its costs to sell or its value in use.

Gains or losses on disposal of a tangible asset are determined by comparing the proceeds from its sale with the carrying value; they are recognized in the income statement.

Impairment Losses on Assets Other than Financial Assets

Assets other than financial assets are reviewed by the Group to identify any possible indications of value impairment. Any assets whose value is found to have been impaired are written off to their recoverable amount. Impairment losses are recognised in the income statement.

Employee Benefits

Employee benefits comprise salaries and wages, discretionary bonuses, paid holiday leaves and social security contributions.

Bonuses and awards are granted after the end of the period for which performance is assessed. Employee benefits are expensed in the income statement in the period to which they relate.

Share-based Payments

Group Employee benefits include salary, one-time and annual awards (bonuses), paid holidays and social security contributions. Annual awards are granted at the end of the period for which results are evaluated. One-time prizes may be awarded during the year. Employee benefits are recognized in the income statement as an expense in the period to which they relate. Group employees also participate in the equity compensation programs DB AG and the prize money with a deferred payment.

Share-based Payments Programs with deferred pay-day

Under IFRS 2 Share-Based Payments, the programme is treated as cash-settled. A provision is created for future payments, which is disclosed in the balance-sheet under "Other liabilities", and in the income statement under "General and administrative expenses – Salaries and wages". Costs of the programme are determined using a pricing model. In accordance with the requirements of IFRS 2, the fair value of the liability is determined initially at the date on which the shares are granted and then at each reporting date until full settlement.

The above mentioned Programmes have been designed for Management Board and top management and they are meant to reward loyalty of the employee and his involvement in building the Group's success. The payments under these programs are restricted to determined vesting dates. The award can be taken back partially or in full if the employee terminates the contract before vesting date. The payments continue if the contract is terminated without employee's fault or in case of retirement. The terms of participation are stipulated in specific Programme's terms.

As at 31st December 2010 the Group employees participated in following programmes:

- 1) "Restricted Equity Units", under which awards were partially paid in 2009. Further dates of payments are planned for 2010 and 2011.
- 2) "Restricted Cash Plan" with planned payments days in years 2010-2012,
- 3) "Restricted Equity Award" with payments in 2011 – 2013,
- 4) "Restricted Incentive Award" with payments in 2011 – 2013.

Provisions

Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the amount of provisions for contingent liabilities under guarantees issued is determined on the basis of estimates of future losses, in the amount equal to the present value of expected future losses relating to unpaid receivables which have originated under the guarantees.

Furthermore, provisions are disclosed in the balance sheet if the Group has a legal obligation following from a past event, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the Group can reliably estimate the amount of the outflow. If the effect is material, the provision amount is determined based on expected cash flows discounted at a pre-tax rate which reflects the current market assessment of the time value of money and, if applicable, risks specific to the liability.

Income Tax

The income tax charge includes the current tax liability and the deferred tax liability. Current income tax is the tax liability of the Group calculated on their taxable income at the applicable tax rate, and including any adjustments to tax liabilities relating to previous financial years.

Deferred tax liability is recognized in the full amount, using the balance-sheet liability method, in respect of temporary differences between the amounts of assets and liabilities for tax purposes and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates (and on the basis of regulations) in force as at the balance-sheet date, which are expected to be applicable when the relevant deferred tax asset is realised or deferred tax liabilities is settled.

The main source of temporary differences is accrued costs relating to the Group's operations, which are charged to the Group in a subsequent financial year.

A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

A deferred tax liability resulting from Polish tax regulations is recognised as costs in the period during which the corresponding profit was earned. Tax consequences of tax-deductible losses which can be used in the future are recognised as assets if it is probable that future taxable profit will be available which can be reduced by the amount of the unsettled tax losses.

A deferred income tax arising from revaluation of investments available for sale is recognised directly in the revaluation capital reserve and then, as the investments are realised, it is charged to the income statement, along with deferred gains or losses.

Other Assets and Liabilities

Other assets include in particular prepayments and accrued income pertaining to selected cost items paid for in advance, which are settled over time and which relate to future reporting periods.

Other liabilities include in particular cost accruals, which will be settled during future periods, and provisions for liabilities to employees (including annual bonuses, other bonuses, and provisions for unused holidays).

Leasing

The Group is a party to lease agreements, based on which it conveys in return for payment to use and take profits (the lessor) from tangible and intangible assets during a fixed period (the rights).

In case of agreements, according to which the Group takes essentially all risks and rewards subsequent to actual ownership of assets, which are the subject of the agreement (financial leasing), the value of the subject is disclosed in the balance of the Group, and settlements of leasing payments are disclosed in profit and loss statement at amortised cost method.

In case of the operating leasing agreements, when essentially all risk and benefits subsequent to actual possession of assets remain by the lessor, the leasing payments are disclosed in profit and loss statement with the straight-line method over their expected leasing period.

All current Group's leasing agreements are classified as operating leasing. All the lease payments are disclosed in profit and loss statement on a straight-line basis over the expected lease period.

Brokerage activity

The Group provides brokerage services, in particular by offering securities in the primary market or IPO, to acquire or sell securities on behalf of someone else's, brokerage in buying or selling securities traded on foreign regulated markets, and services for investment funds, pension companies and pension funds.

Custody Services

The Group provides custody services with respect to domestic and foreign securities, as well as custody services related to investment and pension funds. Such assets are not disclosed in these financial statements as the Group has no control over them.

Equity

Equity comprises capital accounts and funds created by the Group in accordance with applicable regulations, i.e. the Banking Law and the Bank's Articles of Association.

Share capital

Share capital is recognized at par value in the amount specified in the Articles of Association and in the entry in the commercial register.

Share premium

Share premium is formed from the difference between nominal and awarded price obtained from the issue of shares reduced by the attached direct costs incurred with that issue.

Revaluation capital reserve

Revaluation capital reserve includes the effects of revaluation of the portfolio of securities available for sale, after deferred income tax effect. Revaluation capital reserve is not the subject of distribution.

Retained earnings

Retained earnings are formed from net profit allocations and they are assigned to purposes specified in the By-laws or other regulations of the law. They comprise of retained earnings from previous years, general risk fund and net profit for the current year.

General risk fund is formed from allocations of net profit according to the Banking Act of August 29, 1997.

Net profit/loss which constitutes profit/loss presented in the income statement for the relevant period. Net profit is after accounting for income tax.

Contingent liabilities assumed and received

Contingent liabilities assumed

The Group enters into transactions, which, at the time of their inception, are not recognized in the financial statement as assets or liabilities; however they give rise to contingent liabilities and commitments. A contingent liability or commitment is:

- a possible obligation that arises from past events and whose existence will be confirmed only at the time of occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group,
- a present obligation resulting from past events, but not recognized in the financial statement, because it is not probable that an outflow of cash or other assets will be required to fulfill the obligation, or the amount of the obligation cannot be measured reliably.

Credit lines and guarantees are the most significant items of contingent liabilities and commitment granted. They are presented in contingent liabilities in notional amounts as par agreements.

For contingent liabilities and commitment granted which carry the risk of default by the commissioning party, provisions are recognized in accordance with IAS 37 and IAS 39. The estimated provisions are presented in Group's balance as "Provisions".

Contingent liabilities received

The Group also receives collaterals to cover credit exposures. The most often are received guarantees from other banks, or non-bank institutions. They are presented in contingent liabilities in contractual amounts.

Derivatives transactions

The Group enters into following transactions on derivatives financial instruments – currency transactions (spot, forward, FX swap, FX options, CIRS), interest rate transactions (FRA, IRS, CAP), transactions on securities. The nominal value of the contracts until settlement date is booked in off-balance-sheet evidence and presented in financial statement.

[3] Risk Report

The key types of risk managed by the Group include: credit risk, market risk, liquidity risk and operational risk.

The responsibility for determining and monitoring the risk management policy rests with the Group's Management Board.

At the operating level, the Assets and Liabilities Committee (ALCo), the Commercial and Credit Committee and dedicated Group's departments are responsible for the management of particular areas of banking risk, day-to-day monitoring of such risk, and defining the day-to-day risk management policy, consistent with the Management Board's guidelines.

The Assets and Liabilities Committee (ALCo) is a body appointed by the Bank's Management Board. ALCo's scope of responsibilities includes in particular: determining the Group's capital and liquidity requirements in the context of assumed risks (risk appetite) and the nature of the Group's operations exposed to particular risk types. Furthermore, ALCo is responsible for regular reviews of the Bank's and the Group's capital adequacy as well as monitoring compliance with the risk limits set by ALCo. In addition, ALCo coordinates and observes the application of the highest standards of assets, equity and liabilities management, adopted and applied by the DB Group globally (the standards being established by the Group Capital and Risk committee, or CAR).

The Commercial and Credit Committee is appointed by the Group's Management Board as a standing committee, whose meetings are attended by all Management Board Members, Director of the Credit Department and heads of business segments.

The Committee undertakes actions aimed at determining the Bank's business and lending policies, and in particular:

- participates in the process of accepting new clients, including high risk clients, in accordance with the DBP Client Approval Rules,
- determines product pricing policies,
- manages the risk of large exposure concentrations, including credit limits for particular industries, and responds to any cases of the limits being exceeded,
- makes decisions regarding credit exposures on the watch list based on data regularly submitted by the Director of the Credit Department,
- reviews periodic risk reports.

The responsibility for risk management at the Group rests with the Management Board, which delegates part of its responsibilities to dedicated units within the Group charged with:

- organising and monitoring the management risk structure, which consists in participating in the process of defining risk management strategy and its on-going implementation,
- establishing and applying tools and procedures supporting the process of identifying risks, such as market risk, credit risk, operating risk and liquidity risk,

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- internal risk measurement and on-going risk monitoring, as well as reporting risk exposures,
- participation in establishing and monitoring compliance with risk metrics, flags and limits.

The Finance Department, Audit Department and Compliance function support capital and risk management functions at the Group on an ongoing basis, as independent bodies. The Finance Department's function is to support the process of risk identification and measurement. The Audit Department monitors the compliance of the functional control system and procedures with relevant standards, both internal and external. The Compliance function serves in an advisory capacity in the process of managing non-compliance risk and reputation risk.

Banking risks are monitored and controlled in relation to the profitability of the Group's operations and the level of capital necessary to ensure operational security in the context of prudential norms. Reporting on the risk position is part of the Group's management information system.

Credit Risk

Credit (default) risk is the most important type of risk in the Group's business. It consists in counterparty's inability to timely and fully repay its liabilities towards the Group.

In the credit risk management process, the Group observes the following principles:

- Each loan exposure must be approved by persons or committees competent to make lending decisions,
- Decision regarding establishment of a lending limit must be consistent with the strategy adopted for a specific loan portfolio, taking into account the acceptable risk/return ratio,
- Any change in the financing conditions (life, type of security, repayment terms, etc.) which affects the exposure's risk profile requires a lending decision:
- Competence to make lending decisions is granted based on employee's qualifications, experience and training. Credit competence is subject to periodic reviews,
- In the process of making lending decisions, the four-eyes principle always applies,
- Responsibility for return generated by the Group on a given loan exposure rests with the unit which acts as the business sponsor of a given client. Each time, lending limit applications must be endorsed by the relevant business sponsor,
- All and any loan exposures are considered from the perspective of the Group's consolidated exposure to the borrower (or a group of related entities),
- Internal lending limits must be consistent with external concentration standards and capital adequacy requirements,
- When approving new clients locally, the relevant rules observed by the DB Group globally are followed.

In the credit risk management process, the fundamental rule provides for the assessment of a client's creditworthiness by verifying the client's financial standing, market position and management quality. Such assessment forms the basis for adoption of credit decisions and is used in the assignment of credit competence.

The Group uses 26-grade scale for assessment of clients' creditworthiness, to which, based on statistical analyses, a probability of default (PD) is assigned. PDs and ratings are used in the process of estimating impairment losses, in compliance with the International Financial Reporting Standards.

Client's creditworthiness is always assessed with respect to the total loan exposure of a given client, including liabilities of other entities with equity, personal or organisational links to the client. Credit exposures may include loan facilities, trade finance products, foreign exchange transactions or transactions in derivatives.

The Group reviews the assessment of clients' creditworthiness on a regular basis using a standard procedure and identifies any signs of a possible impairment of the loan value. The Group has implemented procedures supporting early identification of threats which may adversely affect the quality of the loan portfolio. We believe that early threat identification is necessary with respect to clients with growing credit risk, as it will enable effective management of a given exposure in the future. Wherever the Group has at an early stage identified threats which may exacerbate credit risk associated with a given client, a given credit exposure is subjected to constant and detailed monitoring.

Credit risk may also be reduced with collateral securing future repayment of clients' liabilities towards the Group. The assessment of collateral quality is an inherent element of the lending process.

The Group strictly monitors its net open position in derivatives. Given the nature of its activities, a large portion of the Group's significant exposures to credit risk under derivative transactions is guaranteed by entities with recognised credit ratings. Furthermore, the actual amount of the Group's credit risk exposure is limited to the current fair value of the instruments whose valuation is positive, which in the case of derivative exposures is only a small fraction of the notional amount under the contract. Exposures to credit risk of such type are managed as part of the general credit limits for clients.

The table below shows all on-balance-sheet positions exposure at credit risk as of Dec 31, 2010 and Dec 31, 2009. The amounts do not reflect the collaterals received by the Group.

in PLN thd	Dec 31, 2010	Dec 31, 2009
Cash in hand and balances with Central Bank	1,209,910	260,675
Deposits in other banks, loans and advances to other banks	421,652	971,213
Financial assets at fair value through profit or loss	2,377,246	1,574,772
Loans and advances to customers	532,095	842,795
Financial assets held as investment	419,642	543,612
Other assets***	75,019	154,186
Contingent liabilities assumed:	3,024,850	2,971,915
a) financial liabilities	1,138,072	1,061,197
b) guarantee liabilities	1,886,778	1,910,718
Total	8,060,414	7,319,168

*** Under the heading Other Assets the Group presents the amounts due from customers, KDPW and brokerage houses related to the Group's brokerage activities.

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The Group strictly applies the binding prudential norms in the area of credit risk and large exposures concentration. In 2010, there was no excess over a large exposure limit. As at December 31st 2010 the limits of large exposures were as follows:

- PLN 103,509 thousand (20% of the Bank's equity, as required under the applicable regulations) in the case of exposures to the Bank's subsidiary or parent undertakings or subsidiary undertakings of the Bank's parent undertaking,
- PLN 129,387 thousand (25% of the Bank's equity, as required under the applicable regulations) in other cases.

Concentration of the Group's Exposures to Individual Borrowers and Industries

List of the Group's ten largest borrowers as at December 31st 2010.:

in PLN thd	Balance-sheet exposure	Credit facilities, LoCs	Guarantees	Balance equivalent	Total exposure	Total exposure Concentration	% share in total exposure
Client 1	-	13,739	111,261	-	125,000	118,131	7%
Client 2	65,744	13,517	-	-	79,261	72,502	4%
Client 3	-	72,677	27,323	-	100,000	63,662	4%
Client 4	28,778	32,100	-	-	60,878	60,878	4%
Client 5	316	28,684	37,546	-	66,546	52,204	3%
Client 6	19,689	30,311	7,908	2,879	60,787	45,631	3%
Client 7	1	-	9,301	25,377	34,679	34,679	2%
Client 8	33,969	1,031	-	-	35,000	34,484	2%
Client 9	-	-	34,200	-	34,200	34,200	2%
Client 10	-	19,802	12,570	9,604	41,976	32,075	2%
	148,497	211,861	240,109	37,860	638,327	548,446	

Also as at Dec 31, 2010 the exposure concentration to banks amounted at TPLN 375,886.00.

Portfolio of loans to clients and off-balance-sheet liabilities assumed for clients as at December 31st 2010 and 2009 – the major industries:

Industry

in PLN thd	Dec 31, 2010		Dec 31, 2009	
	in PLN thd	% share	in PLN thd	% share
Automotive	330,535	14.8%	361,636	13.6%
Consumer staples	320,524	14.4%	442,027	16.6%
Services	312,045	14.0%	338,429	12.7%
Electro-technical industry	273,301	12.2%	267,199	10.0%
Power and engineering	244,823	11.0%	269,428	10.1%
Construction	185,078	8.3%	185,714	7.0%
Chemicals	166,171	7.4%	141,036	5.3%
Telecommunications	98,442	4.4%	150,140	5.6%
Financial and insurance services	88,840	4.0%	190,693	7.2%
Agriculture	79,546	3.6%	134,153	5.0%
Other exposures	64,053	2.9%	55,820	2.1%
Metallurgy	53,401	2.4%	76,076	2.9%
Petrol	15,511	0.7%	30,000	1.1%
Minerals	-	-	19,999	0.8%
Pharmaceuticals	852	0.0%	1,404	0.1%
Total	2,233,122	100%	2,663,754	100%
Credit risk exposure of derivatives	107,234		155,565	

The Group carries no excess over exposure limits to any particular industry. As at December 31st 2010, the largest client group were companies from the automotive industry, accounting for 14,8 % of the Group's total exposure.

As at Dec 31, 2010 total exposure to banks was TPLN 1,349,260, while credit risk exposure to derivatives TPLN 71,675.

The Subsidiary's credit risk is mainly related to its trading receivables.

The Subsidiary offers its customers the possibility of submitting buy orders with a deferred payment date. To take advantage of the deferred payment option the customer is required to sign an appropriate agreement with The Subsidiary (DB Securities S.A.), which specifies a limit of the maximum receivables under deferred payment, and the amount of the required coverage for the buy orders. When placing an order the customer must have funds in the amount agreed with the Brokerage House. The customer has the obligation to provide the balance of cash within three days from the date of the execution of the trade on the WSE – in the case of shares, or within two days – in the case of bonds.

Market Risk

Market risk arises from uncertainty relating to changes in market conditions as may be reflected by interest and foreign exchange rates, correlations among them and their volatility.

The primary objective of market risk management is to shape the structure of assets and liabilities and off-balance sheet components in order to maintain the size of the market risk as defined in the Group's strategy.

The Group's strategy specifies the acceptable level of market risk as low to medium. The only ones strictly commercial risk positions in the activities of the Group is a portfolio of Treasury securities, and a more limited extent, open foreign currency position. Other risk positions arising from the products offered to customers (deposits, loans), or instruments to secure the risk. Positions in derivative products offered to corporate customers are, in principle, opposed closing transactions with the control group. The Group's strategy is a major determinant of the current threshold levels for the market.

The Group's current product strategy involves two main market risks: interest rate risk and currency risk.

A separate department of the Group (Market Risk Management Department) is responsible for market risk management at the operating level. On the measurement of market risk consists of monitoring the value of market risk measurement and analysis of the stress test designed to determine the potential losses of the Group in the event of extreme changes in price parameters.

The Group's exposure to market risk is measured on every business day on the basis of:

- VaR expected change in net profit/(loss) caused by changing market prices, with the assumed 99% confidence,
- BPV change in net profit/(loss) caused by a 1 basis point change in market prices,
- currency position.

Market risk is managed by the Group in a centralized manner. Market risk positions are transferred to the portfolio of Global Markets cells by recording internal transactions between the Group entities. Within the structure of Global Markets operates Global Finance team responsible for managing the position of market risk within acceptable limits by the Board. This is achieved through the following financial instruments:

- NBP bonds,
- FRA,
- IRS, CIRS,
- Placements, deposits,
- FX swaps,
- FX spots/forwards.

The market risk of trading book is generated by the Global Markets Rates team. This team develops and manages the entry treasury bonds, to a limited extent, it can also keep an open currency position. Commercial activities in the area of treasury bonds is part of the Group's policy to offer corporate customers a wide range of financial products, including the possibility of buying directly at the auction of Treasury bonds.

The target for the year 2010 has been achieved – through active participation in government bonds traded on the interbank market the Bank regained the title of the Treasury Securities Dealer.

The market risk exposure of individual portfolios is limited by the VaR limit specified for each portfolio as well as the aggregate limit, BPV (for the Global Markets OTC portfolio) and the open currency position limit.

The size limit is proportional to the appetite to take this risk and the business unit budget. The level of risk appetite is subject to the approval of the Board and is referred to in the Bank's strategy.

The VaR model uses the historical method in computations, at the significance level of 0.01. The forecast period (the assumed period over which the constant quantity and structure of primary positions are maintained – position maintenance period) is one business day.

In 2010, we reduced the sample of historical data to be taken into account in the analysis of the 400 days to 250 days.

The Group performs historical and revaluation reviews of the VaR model.

Historical back-testing means comparison the value of potential loss calculated on following days with daily losses (reflecting real price parameters changes) realized on the Group's positions which are involved in VaR model.

Valuation back-testing means comparing the value of potential loss calculated on specific working day with hypothetical daily loss realized on the Group's positions at the end of the day reflecting real price parameters change calculated assuming that the structure of the statement of financial position and off-balance sheet will be stable during 24 hours.

Average daily VaR for market risk were as follows:

2010

	Dec 31, 2010	Avg	Max	Min	Limit
VaR – overall	414.36	1,166.94	3,048.62	377.07	3,500.00
VaR – interest rate risk	219.76	1,115.48	3,034.79	94.47	N/A
VaR – FX risk	399.38	417.84	889.07	158.54	N/A

2009

	Dec 31, 2009	Avg	Max	Min	Limit
VaR – overall	509.42	587.29	850.33	361.58	2,000.00
VaR – interest rate risk	423.22	553.39	821.52	358.94	N/A
VaR – FX risk	294.3	203.07	300.71	58.09	N/A

Much higher values of VaR in comparison to the year 2009 are derived from the resumption of activities in the actively traded Treasury securities in 2010. Positions in Treasury securities are reflected in higher exposures to interest rate risk, and thus the sizes of the reported VaR.

An additional market risk metric, complementing the measurement of value at risk, is derived from stress testing, simulating hypothetical change in the current valuation of the Group's individual portfolios. Stress testing and crash testing are used to evaluate a potential loss in the event of an extraordinary situation on the financial market which cannot be described with standard statistical metrics.

Crash testing supplements VaR calculation with information concerning the level of the Group's exposure to risk under extreme changes in market conditions.

Crash testing is performed on the Group's entire position, that is the position resulting from transactions disclosed in the trading book and the position resulting from transactions disclosed in the banking book.

The Group applies three types of crash testing using assumed scenarios of a shift of the yield curve or FX curve, based on the standard shift of the yield curve as specified in the capital requirement regulations, as well as based on interest rate changes equal to the 1st and 99th percentiles of the observed historical changes in interest rates.

In DB Securities S.A. the exposure to interest rate risk and exchange rate risks arises in the normal course of business. Derivative financial instruments are used to protect the exposure from rate fluctuations of foreign exchange.

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Interest Rate Risk

Interest rate risk is the risk of deviation from the Group's financial result in the intended result of adverse changes in market interest rates. In case of change of interest rate risk as a result of financial changes may be due to the market value of financial instruments, or change in interest income.

Centralized market risk management process allows us to effectively manage interest rate risk of banking book. Risk positions arising from banking book instruments – mainly deposits and loans to corporate customers, are aggregated using the internal transfer pricing system and managed by the team at Global Finance.

The interest rate risk of the trading book is generated and managed by a team of Global Markets Rates. For items of interest rate risk in this case consists of a portfolio of Treasury bonds and hedging interest rate risk (eg. IRS).

The table below sets forth the Group's exposure to interest rate risk, based on the carrying values of its assets and liabilities and the earlier of: the next revaluation date or the maturity date.

Dec 31, 2010 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing	Total
Cash in hand and balances with Central Bank	1,209,910	-	-	-	-	-	-	1,209,910
Loans and advances to banks	409,957	11,717	-	-	-	-	(22)	421,652
Financial instruments at fair value through profit or loss	2,088,167	44,684	20,080	926	223,389	-	-	2,377,246
Loans and advances to customers	437,947	62,169	22,829	22,898	6	-	(13,754)	532,095
Financial assets held as investment	419,256	-	-	-	-	-	386	419,642
Tangible assets	-	-	-	-	-	-	5,744	5,744
Intangible assets	-	-	-	-	-	-	1,264	1,264
Current tax receivables	-	-	-	-	-	-	1,285	1,285
Deferred tax asset	-	-	-	-	-	-	31,622	31,622
Other assets	-	-	-	-	-	-	99,095	99,095
Total assets	4,565,237	118,570	42,909	23,824	223,395	-	125,620	5,099,555
Deposits from banks	302,320	-	-	-	-	-	-	302,320
Financial liabilities at fair value through profit or loss	97,141	3,707	10,788	1,735	-	-	-	113,371
Deposits from customers	3,889,919	25,823	11,082	1,681	-	-	-	3,928,505
Debt securities issued	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	2,620	2,620
Current tax liabilities	-	-	-	-	-	-	1,400	1,400
Deferred tax liability	-	-	-	-	-	-	18,096	18,096
Other liabilities	-	-	-	-	-	-	85,627	85,627
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	(4,307)	(4,307)
Retained earnings	-	-	-	-	-	-	226,923	226,923
Total equity and liabilities	4,289,380	29,530	21,870	3,416	-	-	755,359	5,099,555
Balance-sheet mismatch	275,857	89,040	21,039	20,408	223,395	-	-	-

Dec 31, 2009 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing	Total
Cash in hand and balances with Central Bank	260,675	-	-	-	-	-	-	260,675
Loans and advances to banks	799,690	140,000	31,535	-	-	-	(12)	971,213
Financial instruments at fair value through profit or loss	1,529,349	24,331	11,475	5,241	-	4,376	-	1,574,772
Loans and advances to customers	731,598	60,039	24,671	37,681	-	-	(11,194)	842,795
Financial assets held as investment	493,331	50,226	-	-	-	-	55	543,612
Tangible assets	-	-	-	-	-	-	7,182	7,182
Intangible assets	-	-	-	-	-	-	1,901	1,901
Current tax receivables	-	-	-	-	-	-	4,150	4,150
Deferred tax asset	-	-	-	-	-	-	40,714	40,714
Other assets	-	-	-	-	-	-	182,544	182,544
Total assets	3,814,643	274,596	67,681	42,922	-	4,376	225,340	4,429,558
Deposits from banks	714,220	-	-	-	-	-	-	714,220
Financial liabilities at fair value through profit or loss	148,653	13,514	11,178	5,487	986	-	-	179,818
Deposits from customers	2,682,413	8,870	5,343	664	-	712	-	2,698,002
Debt securities issued	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	2,431	2,431
Current tax liabilities	-	-	-	-	-	-	2,911	2,911
Deferred tax liability	-	-	-	-	-	-	32,528	32,528
Other liabilities	-	-	-	-	-	-	147,102	147,102
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	(21,528)	(21,528)
Retained earnings	-	-	-	-	-	-	249,074	249,074
Total equity and liabilities	3,545,286	22,384	16,521	6,151	986	712	837,518	4,429,558
Balance-sheet mismatch	269,357	252,212	51,160	36,771	(986)	3,664		

Subsidiary's exposure to interest rate risk relates mainly to its financial liabilities. It manages its interest expenses by incurring liabilities which bear interest at a variable rate.

Currency Risk

The Group defines currency risk as a risk of deviation of the financial result from the target, as such deviation may result from adverse changes in market foreign exchange rates. In the case of currency risk, a change in the financial result comes as foreign exchange gains/(losses) disclosed under net trading income.

According to the developed strategy, the Bank is not a significant participant in the interbank foreign exchange market. Developed market-based quota system allows only limited open foreign exchange position of a speculative nature. The open currency position is usually structural in nature and stems from the need to maintain liquidity in foreign currencies.

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The Subsidiary is exposed to the foreign exchange risk in connection with the transactions it executes. Such risk arises when subsidiary makes a sale or purchase in a currency other than its reporting currency. In the case of transactions executed on other stock exchanges, the Subsidiary sells or purchases forward contracts in order to eliminate the related foreign exchange risk exposure. The forward contracts must be expressed in the same currency as the hedged item.

The tables below set forth the Group's exposure to currency risk relating to main currencies as at December 31st 2010 and 2009.

Dec 31, 2010	EUR	USD	CHF	GBP	Other	PLN	Total
in PLN thd							
Cash in hand and balances with Central Bank	-	-	-	-	-	1,209,910	1,209,910
Deposits in other banks, loans and advances to other banks	179,794	92,144	6,629	10,299	16,434	116,352	421,652
Financial assets at fair value through profit or loss	-	-	-	-	-	2,377,246	2,377,246
Loans and advances to customers	81,730	8,288	-	36	-	442,041	532,095
Financial assets held as investment	-	-	-	-	-	419,642	419,642
Tangible assets	-	-	-	-	-	5,744	5,744
Intangible assets	-	-	-	-	-	1,264	1,264
Current tax receivables	-	-	-	-	-	1,285	1,285
Deferred tax asset	-	-	-	-	-	31,622	31,622
Other assets	4,761	42	-	-	-	94,292	99,095
Total assets	266,285	100,474	6,629	10,335	16,434	4,699,398	5,099,555
Total off balance sheet assets	1,962,549	498,759	1,615	20,969	35,784	2,321,730	
Deposits from banks	56	3,022	18	74	1,300	297,850	302,320
Financial liabilities at fair value through profit or loss	-	-	-	-	-	113,371	113,371
Deposits from customers	668,212	40,294	5,157	772	13,426	3,200,644	3,928,505
Debt securities issued	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	2,620	2,620
Current tax liabilities	-	-	-	-	-	1,400	1,400
Deferred tax liability	-	-	-	-	-	18,096	18,096
Other liabilities	14,449	1,417	17	8,890	44	60,810	85,627
Share capital	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	(4,307)	(4,307)
Retained earnings	-	-	-	-	-	226,923	226,923
Total liabilities and equity	682,717	44,733	5,192	9,736	14,770	4,342,407	5,099,555
Total off balance sheet liabilities	1,536,999	551,648	1,615	20,969	35,784	2,695,816	
Net balance-sheet position	9,118	2,852	1,437	599	1,664	(17,096)	

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Dec 31, 2009	EUR	USD	CHF	GBP	Other	PLN	Total
in PLN thd							
Cash in hand and balances with Central Bank	-	-	-	-	-	260,675	260,675
Deposits in other banks, loans and advances to other banks	423,108	216,563	6,229	931	8,726	315,657	971,214
Financial assets at fair value through profit or loss	-	-	-	-	-	1,574,772	1,574,772
Loans and advances to customers	71,944	3,714	-	16,464	16	750,656	842,795
Financial assets held as investment	-	-	-	-	-	543,612	543,612
Tangible assets	-	-	-	-	-	7,182	7,182
Intangible assets	-	-	-	-	-	1,901	1,901
Current tax receivables	-	-	-	-	-	4,150	4,150
Deferred tax asset	-	-	-	-	-	40,714	40,714
Other assets	7,515	-	-	1,210	-	173,819	182,544
Total assets	502,567	220,277	6,229	18,605	8,742	3,673,138	4,429,558
Total off balance sheet assets	756,356	202,061	58	7,418	69,625	1,530,119	
Deposits from banks	18,505	29	22	12,715	14,771	668,178	714,220
Financial liabilities at fair value through profit or loss	-	-	-	-	-	179,818	179,818
Deposits from customers	422,817	37,834	4,991	780	11,957	2,219,623	2,698,002
Debt securities issued	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	2,431	2,431
Current tax liabilities	-	-	-	-	-	2,911	2,911
Deferred tax liability	-	-	-	-	-	32,528	32,528
Other liabilities	15,132	849	-	5,356	12	125,753	147,102
Share capital	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	(21,528)	(21,528)
Retained earnings	-	-	-	-	-	249,074	249,074
Total liabilities and equity	456,454	38,712	5,013	18,851	26,740	3,883,788	4,429,558
Total off balance sheet liabilities	795,374	379,231	-	7,439	49,506	1,331,007	
Net open currency position	7,095	4,394	1,273	(267)	2,121	(11,538)	

Liquidity risk

Liquidity is defined as a condition in which the Group has the capacity to meet current and future payment obligations without incurring a loss in the normal course of business or other conditions that can be predicted.

The management of the Group's liquidity is determined by the following operational factors:

- maintenance of ability to settle payments,
- incorporation of the Group's liquidity requirements in mid- and long-term operating plans,
- minimising the cost of liquidity maintenance,
- liquidity stress testing.

The objective of managing the Group's liquidity is active management of the balance sheet and off-balance-sheet liabilities with a view ensuring the Group's uninterrupted liquidity. Liquidity management procedures depend on the Group's operating profile and client base. Our liquidity is also affected by factors outside our control, such as the National Bank of Poland's interest rate policy and banking system liquidity policy, domestic and international regulations, Poland's economic situation, as well as the current situation on the money market.

Those funds which serve as liquidity enhancements are invested in financial instruments of other banks with high ratings (predominantly instruments with short maturities) and in highly liquid treasury securities.

The matching and monitoring of maturities of financial instruments are of key importance to the Group's management.

The Group has developed emergency procedures to be applied in situations which might lead to a significant increase in the liquidity risk (contingency plan). An important element of the plan with regard to a crisis on a local scale is the liquidity support provided by the Group's main shareholder.

A material element of liquidity management is the Group's maintenance of a treasury securities portfolio. As at the end of 2010, the value of that portfolio was PLN 400 m. In 2011, the Group plans to purchase additional PLN 140 m, so that the entire portfolio was PLN 540 m.

The value of the liquidity portfolio is determined by the Assets and Liabilities Committee.

In 2010, there were no material changes in liquidity risk management at the Group.

The table below sets forth the Group's assets and liabilities with agreed maturities, by maturity as from the balance-sheet date:

Dec 31, 2010 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Insensitive items	Total
Cash in hand and balances with Central Bank	1,209,910	-	-	-	-	-	-	1,209,910
Loans and advances to banks	409,957	11,717	-	-	-	-	(22)	421,652
Financial instruments at fair value through profit or loss	2,318,242	3,832	11,384	14,242	4,635	24,911	-	2,377,246
Loans and advances to customers	430,404	47,071	31,393	36,767	214	-	(13,754)	532,095
Financial assets held as investment	419,256	-	-	-	-	-	386	419,642
Tangible assets	-	-	-	-	-	-	5,744	5,744
Intangible assets	-	-	-	-	-	-	1,264	1,264
Current tax receivables	-	-	-	-	-	-	1,285	1,285
Deferred tax asset	-	-	-	-	-	-	31,622	31,622
Other assets	-	-	-	-	-	-	99,095	99,095
Total assets	4,787,769	62,620	42,777	51,009	4,849	24,911	125,620	5,099,555
Deposits from banks	302,320	-	-	-	-	-	-	302,320
Financial liabilities at fair value through profit or loss	53,713	3,707	10,788	15,418	4,834	24,911	-	113,371
Deposits from customers	3,889,919	25,823	11,082	1,681	-	-	-	3,928,505
Debt securities issued	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	2,620	2,620
Current tax liabilities	-	-	-	-	-	-	1,400	1,400
Deferred tax liability	-	-	-	-	-	-	18,096	18,096
Other liabilities	-	-	-	-	-	-	85,627	85,627
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	(4,307)	(4,307)
Retained earnings	-	-	-	-	-	-	226,923	226,923
Total liabilities and equity	4,245,952	29,530	21,870	17,099	4,834	24,911	755,359	5,099,555
Balance-sheet gap	(541,817)	(33,090)	(20,907)	(33,910)	(15)	-	-	-

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Dec 31, 2009 in PLN thd	Up to 1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Insensitive items	Total
Cash in hand and balances with Central Bank	260,675	-	-	-	-	-	-	260,675
Loans and advances to banks	800,434	70,000	100,791	-	-	-	(12)	971,213
Financial instruments at fair value through profit or loss	1,549,452	13,845	11,475	-	-	-	-	1,574,772
Loans and advances to customers	695,702	43,877	48,552	65,859	-	-	(11,195)	842,795
Financial assets held as investment	543,557	-	18	-	-	-	37	543,612
Tangible assets	-	-	-	-	-	-	7,182	7,182
Intangible assets	-	-	-	-	-	-	1,901	1,901
Current tax receivables	-	4,150	-	-	-	-	-	4,150
Deferred tax asset	-	-	-	-	-	-	40,714	40,714
Other assets	-	-	-	-	-	-	182,544	182,544
Total assets	3,849,820	131,872	160,836	65,859	-	-	221,171	4,429,558
Deposits from banks	714,220	-	-	-	-	-	-	714,220
Financial liabilities at fair value through profit or loss	148,654	13,514	10,880	5,785	986	-	-	179,818
Deposits from customers	2,682,533	8,849	5,289	1,331	-	-	-	2,698,002
Debt securities issued	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	2,431	2,431
Current tax liabilities	-	2,163	-	-	-	-	748	2,911
Deferred tax liability	-	-	-	-	-	-	32,528	32,528
Other liabilities	-	-	-	-	-	-	147,102	147,102
Share capital	-	-	-	-	-	-	230,000	230,000
Share premium	-	-	-	-	-	-	195,000	195,000
Revaluation capital reserve	-	-	-	-	-	-	(21,528)	(21,528)
Retained earnings	-	-	-	-	-	-	249,074	249,074
Total liabilities and equity	3,545,407	24,526	16,169	7,116	986	-	835,355	4,429,558
Balance-sheet gap	(304,413)	(107,346)	(144,667)	(58,743)	986	-	-	-

The principal measure used by the Group to assess liquidity risk is MCO analysis. MCO analysis includes all cash-flows from financial instruments. The analysis is prepared for currencies in which the Group operates: PLN, USD, EUR and total for other. Cash-flows are translated into PLN with NBP fixing. The analysis is prepared for following time periods: 1D, 2D, 3D, 4D, 5D, 6D, 7D, 8D, 9D, 10D, 2W, 3W, 4W, 5W, 6W, 7W, 8W (where D means day, and W means week).

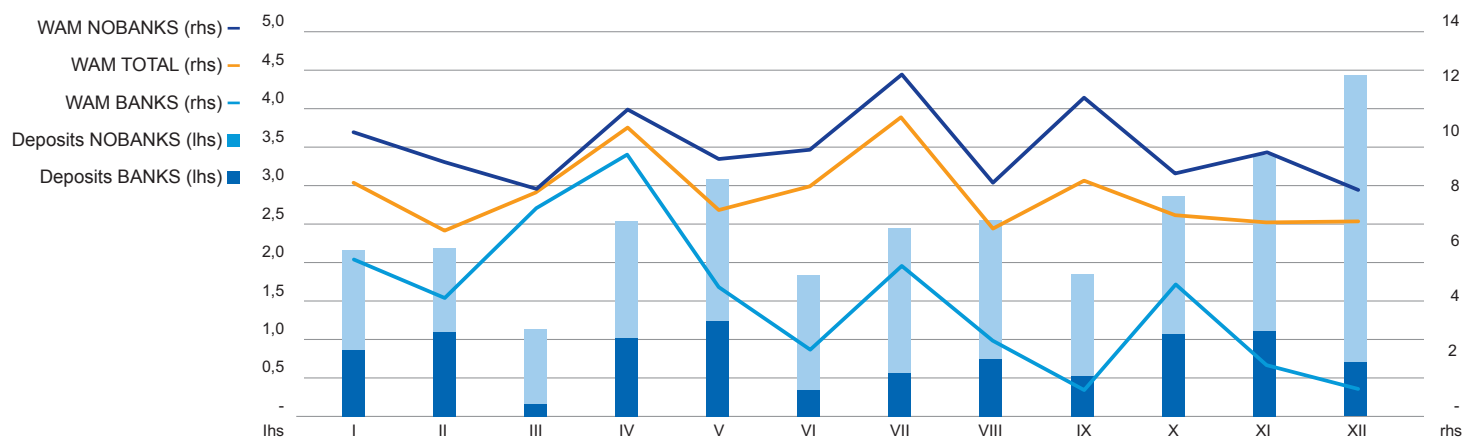
Another important measure of liquidity in the Group is a stable deposit base. It plays a fundamental role in the management of assets and liabilities in DBP, is also the basis for determining regulatory liquidity ratios. The process of testing the stability of the deposit base in the DBP is continuous.

In 2010, the Group had no difficulty in complying with regulatory standards for liquidity:

- short-term liquidity ratio
- the ratio of coverage by own funds of illiquid assets
- the ratio of coverage of illiquid assets and assets with limited liquidity own funds and foreign funds stable.

Through the analysis of the deposit base, the Group examines the weighted average maturity of the deposits. The results of the analysis presented below. The weighted average maturity of long-term deposits returned to the levels in 2010 and stabilized at about 7 days for bank deposits and 10 days for corporate deposits.

Deposits – weighted average time to maturity over 2010



An important complement to the Group's liquidity analysis is to analyse the stress test. On a monthly basis Group performs liquidity stress tests. The result of the shock analysis is to determine the net liquidity position within eight weeks. This item must be nonnegative.

In 2010, the liquidity position in the test stress tests remained at safe levels.

Operational Risk

Operational risk is inherently related to all types of risk involved Group's operations. This risk refers to possible losses that may be incurred as a result of inappropriate or ineffective internal processes, human actions, and systems, or an impact of external circumstances. Some specific unquantifiable aspects of operating risk are such elements as the risk of fraud by the Group's employees or third parties, erroneous authorisation of transactions, failures of equipment or data transmission systems, insufficient staff training, or human error.

The operational risk management at the Group is a continuous process, supported by the DB Group's specialists, including in particular officers responsible for individual business units (Divisional Operational Risk Officers).

The operational risk management at the Group focuses on close cooperation and support of the Group's business. Nevertheless, to avoid any potential conflict of interests and to ensure unbiased management, the function of operating risk assessment is separated from business decision-making functions.

Under our rules of operational risk management, each employee is responsible for identifying operational risks arising in his/her competence area and taking actions to mitigate the risk. These actions also include appropri-

ate reporting of the identified threats to the Operating Risk Division Coordinator at the Group's relevant unit, as well as exercising due professional care in the performance of assigned duties and abiding by the applicable regulations.

The Operational Risk Coordinator reports on all events involving operating risk to the Group's Management Board, which then presents regular operating risk strategy reviews to the Supervisory Board as part of the overall risk management strategy; these reviews also include information on the actions taken by the Group to mitigate operating risk.

The Group's strategy for operating risk management is based on the following principles:

- Each of the Group's units is required to identify and estimate operating risk, and to perform necessary actions mitigating the risk, on an ongoing basis, even when such risk is difficult to identify,
- Operating risk management is delegated to the lowest (from the practical perspective) levels of the Group's structure,
- If risk-mitigating measures do not yield expected results, the risk acceptance process applicable at the DB Group should be initiated,
- Responsibilities for operating risk management are defined for individual employees,
- Transparency and efficiency of the operating risk management structure are achieved through clear assignment of responsibilities, independence in decision making, effective process of notification and escalation of events monitored by the Group's individual departments,
- Each individual business line is directly responsible for costs incurred as a result of actions taken to mitigate operating risk or caused by operating-risk-related events which have occurred within the business line.

The Group's organisational structure includes a clearly defined independent unit responsible for operating risk management. The following positions were established within Group to support and coordinate operating risk management: Risk Operational Officer, Technical Information Security Officer, Business Information Security Officer, Business Continuity Coordinator, and Administrator of Personal Data Security.

Capital Management

Internal Capital Management (ICAAP) is a process management system embedded in the DB Group in Poland. This process ensures that the Management Board and Supervisory Board:

- properly identify and measure risk
- apply effective risk management system
- effectively allocate funds
- maintain adequate internal capital to do business.

The key determinants in the process of capital management in the Group are: the appetite for risk and the consequent risk profile, the expected profitability of individual business units, maintain an appropriate level of liquidity in the operating business and the current and expected macroeconomic environment in which the Group conducts business.

The inherent process of capital management is to identify and study the relevance of the risks arising in the Group. A comprehensive analysis of risks is carried out every year and includes:

- a review of the risks identified by the regulator under the first pillar
- the identification of other types of risk than regulacyjnie specified.

As a result, the annual risk identification, the Bank from the outset of the Basel 2 standards, estimates the additional capital necessary to cover the risks inherent in its activities. At the end of 2010, additional capital in the form of the second pillar was 5% of the total capital to cover risks (the sum of the first and second pillar).

As at 31st of December 2010 the Group's capital adequacy ratio amounted 26,3%.

The level of regulatory capital at 31 December 2010, at DB Securities S.A. satisfies the requirements of the Minister of Finance dated 18 November 2009 on the scope and detailed procedures for determining total capital requirements, including capital requirements for brokers and determining the maximum amount of loans and issued debt securities in relation to equity (Journal of Laws of 2009, No. 204, item 1571).

The primary objective of the Group in the long-term capital management is to maintain capital levels in relation to the risk at levels to maintain the capital adequacy ratio above the amount collected which guarantees the security of customer funds in the Bank. In addition, the value of capital can not be less than:

- defined by the supervisory authorities limit the activity of Trustees – the zloty equivalent of EUR 100 million
- the value of internal capital estimated on the basis of the ICAAP or other higher education, as required by external supervisors.

[4] Fair Value of Financial Assets and Liabilities

The table below sets forth carrying amounts and fair values of those financial assets and liabilities which are not disclosed at their fair values in the Group's balance sheet. Fair value of financial assets and liabilities was established on the basis of their market prices, where possible, or recognised valuation models.

in PLN thd	Dec 31, 2010		Dec 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Deposits in other banks, and loans to other banks	421,652	421,682	971,213	976,321
Loans and advances to customers	532,095	532,703	842,795	855,110
Deposits from banks	302,320	302,320	714,220	714,365
Deposits from customers	3,928,505	3,926,933	2,698,002	2,678,237

Fair values of deposits bearing interest at a variable rate and overnight deposits are equal to their respective carrying values. Estimated fair values of fixed-rate deposits are based on discounted cash flows determined with the use of interest rates computed based on the zero-coupon curve.

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Loans and advances are disclosed net of impairment losses. Estimated fair values of loans and advances is fair approximation of its book value due to its short term nature and short repricing periods.

Estimated fair values of fixed-rate deposits and loans for which no market quotations exist are arrived at by discounting cash flows at interest rates applicable to loans contracted at a given time with similar maturities.

Classification of financial instruments valued at fair value through profit and loss.

Fair value of trading securities is stated directly at prices quoted (not adjusted) from active markets for identical assets and liabilities (Level I). For derivatives financial instruments fair value is determined with use of valuation models, where all significant entry data are observable on the market directly (as prices) or indirectly (based on prices) – Level II. In case of long-term structured swap transactions the fair value is determined with use of valuation models, for which available data are not derived from observable markets (Level III).

Dec 31, 2010 in PLN thd	Level I	Level II	Level III	Total
Financial assets at fair value through profit or loss	2,242,771	94,553	39,922	2,377,246
Financial assets held as investment	419,642	-	-	419,642
Total	2,662,413	94,553	39,922	2,796,888
Financial liabilities at fair value through profit or loss	-	73,449	39,922	113,371

Dec 31, 2009 in PLN thd	Level I	Level II	Level III	Total
Financial assets at fair value through profit or loss	1,394,385	134,003	46,384	1,574,772
Financial assets held as investment	543,612	-	-	543,612
Total	1,937,997	134,003	46,384	2,118,384
Financial liabilities at fair value through profit or loss	-	133,434	46,384	179,818

During the year there were no transfers between particular categories of valuation at fair value of financial assets and liabilities.

The table below shows financial assets and liabilities presented in the financial statements at fair value in the three-level hierarchy – reconciliation of opening balance with closing balance.

Level III In PLN thd	Jan 1, 2010	Total gains/losses profit and loss Trading income	Settlements	Dec 31, 2010
Financial assets at fair value through profit or loss	46,384	(5,520)	(1,064)	39,922
Financial liabilities at fair value through profit or loss	46,384	(5,520)	(1,064)	39,922

[5] Accounting Estimates

While performing an on-going valuation of certain items of assets and liabilities, the Group adopts estimates and assumptions which are included in valuation models. In doing so, the Bank uses its best knowledge and experience, as well as the best banking practice.

The main areas in which estimates and assumptions are used to value balance-sheet items include the determination of:

- impairment of value of loans and advances;
- fair values of derivatives;
- fair values of debt securities.

In executing the implemented credit risk management processes, the Bank performs a review of its loan portfolio for impairment of its value on a regular basis.

In the event of exposures for which indications of possible impairment losses have been identified, the amounts of impairment write-offs are based on estimated future cash flows. The Bank estimates cash flows based on its own experience and realistic assessment of a given borrower's ability to continue servicing his debt. The methodology used in the Bank in identification-related estimates and permanent impairment measurements is subject to regular reviews.

Fair values of derivatives for which no active market exists (no reliable market prices are available) are determined with the use of generally accepted models, calibrated to obtain instrument prices as close to comparable market prices as possible. Additionally, the Bank evaluates credit risk component embodied into the underlying contract.

Impairment of value of debt financial instruments available for sale is recognised if the market price of the instrument stays below its purchase price for at least three months. The reversal of impairment of value is performed upon the Group's deciding that the causes of impairment of value of a given instrument have permanently ceased to exist.

[6] Interest Income

Interest income

in PLN thd	Dec 31, 2010	Dec 31, 2009
Deposits, loans and advances to banks	21,195	39,757
Loans and advances to customers	30,618	37,350
Interest on debt securities held for trading	117,490	70,019
Interest on debt securities available for sale	22,957	28,379
Interest on debt securities held to maturity	-	32
Total interest income:	192,260	175,536

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[7] Interest Expense

Interest expense

in PLN thd	Dec 31, 2010	Dec 31, 2009
Deposits of customers	(58,905)	(57,113)
Deposits of banks	(38,083)	(42,251)
Total interest expense:	(96,988)	(99,364)

[8] Impairment Losses

in PLN thd	Dec 31, 2010	Dec 31, 2009
Increase	(3,407)	(10,760)
revaluation of loans, advances and other receivables	(3,407)	(10,016)
provisions for off-balance-sheet commitments and liabilities	-	(743)
Decrease	1,005	6,478
revaluation of loans, advances and other receivables	411	1,296
provisions for off-balance-sheet commitments and liabilities	594	5,181
Impairment losses	(2,402)	(4,282)

[9] Fee and Commission Income

in PLN thd	Dec 31, 2010	Dec 31, 2009
Fee and commission income	135,381	102,140
advisory services/asset management	21,972	21,031
domestic settlement transactions	44,772	22,659
brokerage commissions	47,179	37,399
other fees and commissions	1,765	1,039
foreign settlement transactions	8,487	9,995
guarantees	8,567	7,329
sale of FX options	687	400
loans and advances	1,952	2,289
Fee and commission expense	(49,545)	(26,765)
brokerage services	(4,899)	(3,445)
domestic settlement transactions	(32,518)	(11,932)
KDPW costs	(1,808)	(1,746)
foreign settlement transactions	(2,377)	(3,721)
other fees and commissions	(609)	(621)
GPW costs	(5,583)	(4,223)
other transaction fees	(1,751)	(1,077)
Net fee and commission income	85,836	75,375

[10] Net Trading Income

in PLN thd	Dec 31, 2010	Dec 31, 2009
Foreign exchange gains/(losses)	57,663	82,574
Gain/(loss) on debt instruments	(5,747)	1,916
Gain/(loss) on Interest rate derivatives	(903)	(2,040)
Valuation of credit component of derivatives	-	7,454
Gain/(loss) on equity instruments	(604)	-
Net trading income	50,409	89,904

[11] General and Administrative Expenses

in PLN thd		Dec 31, 2010	Dec 31, 2009
Salaries and wages		(47,877)	(43,480)
Operation of IT systems		(16,847)	(13,881)
Contracted services		(17,333)	(15,886)
Building maintenance and lease expenses		(8,415)	(12,762)
Taxes, charges and other contributions		(5,714)	(5,656)
Other administrative expenses		(12,703)	(12,316)
Insurance		(5,542)	(4,825)
Other employee benefits		(3,401)	(2,638)
Postal and telecommunications charges		(1,433)	(3,229)
Consulting and advisory services		(1,501)	(1,125)
Contributions and payments to BFG (Bank Guarantee Fund)		(993)	(1,145)
Total general and administrative expenses		(121,759)	(116,942)

[12] Income Tax

in PLN thd	Note	Dec 31, 2010	Dec 31, 2009
Current income tax		(28,905)	(18,669)
Current year		(28,053)	(22,072)
Correction from previous years***		(852)	3,403
Deferred income tax		5,812	(5,016)
Deferred tax liability	[27]	(18,033)	(32,528)
Deferred tax asset	[21]	30,530	39,213
Increase/decrease due to asset/liability brought forward		(6,685)	(11,701)
Total income tax		(23,093)	(23,685)

Reconciliation to actual income tax expense

in PLN thd		Dec 31, 2010	Dec 31, 2009
Pre-tax profit		113,927	136,951
Tax at 19%		(21,646)	(26,021)
Non-tax-deductible costs, non-taxable income and unused deferred tax		(1,447)	2,336
Correction from previous years***		(852)	3,403
Non-tax-deductible costs (i.e. voluntary membership fees, donations, etc.)		(382)	(923)
Other correction of deferred tax asset/liability		(213)	(145)
Total income tax		(23,093)	(23,685)

***Adjustments concern tax qualification of securities discount for the years 2003-2006.

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[13] Earnings per Share

Earnings per share for 12 months

in PLN thd	Dec 31, 2010	Dec 31, 2009
Basic		
Profit for the period	90,834	113,266
Weighted average number of ordinary shares	230	230
Basic earnings per ordinary share in the period	395	492
Diluted		
Profit for the period	90,834	113,266
Weighted average number of ordinary shares	230	230
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	230	230
Diluted earnings per ordinary share in the period	395	492

Basic earnings per share are computed as the quotient of the profit attributable to equity holders of the Bank and the weighted average number of shares.

[14] Cash in Hand and Balances with Central Bank

(a) Cash in Hand and Balances with Central Bank

in PLN thd	Dec 31, 2010	Dec 31, 2009
Cash	13	5
Current nostro account held at NBP	1,209,897	260,670
Total	1,209,910	260,675

(b) Cash items in cash-flow statement

in PLN thd	Dec 31, 2010	Dec 31, 2009
Cash	13	5
Current nostro account held at NBP	1,209,897	260,670
Current accounts – other banks	404,862	719,233
Total	1,614,772	979,908

Nostro account held at NBP is used to hold obligatory reserve. The balance of obligatory reserve in the periods from December 31st 2010 to January 30th 2011, and for the period from December 31st 2009 to January 31st 2010 was PLN 166,740 thousand and PLN 112,070 thousand, respectively.

Cash items include regarding brokerage activities cash and cash equivalents restricted. In 2010 it was PLN 56,753 thousand, and for the year 2009 PLN 86,967 thousand.

[15] Deposits in Other Banks, and Loans and Advances to Other Banks

(a) Deposits in other banks, loans and advances to banks (by type)

in PLN thd	Dec 31, 2010	Dec 31, 2009
Current accounts	404,862	719,233
Inter-bank deposits	16,650	250,791
Accrued interest	163	1,210
Discount – factoring	-	(9)
Impairment losses	(23)	(12)
– for individual assets	-	-
– for groups of assets	(23)	(12)
Total	421,652	971,213

In 2010, the Group changed the presentation of overnight deposits from the position “interbank deposits and loans to other banks” to position “current accounts”. The comparative data were presented in the same way. Accordingly, changes were made in note 14 (b) and statement of cash flows.

(b) Deposits in other banks, loans and advances to banks (by maturity)

in PLN thd	Dec 31, 2010	Dec 31, 2009
Repayable on demand	404,862	719,233
Term loans	16,650	250,791
up to 1 month	5,000	80,000
more than 1 month, up to 3 months	11,650	70,000
more than 3 months, up to 1 year	-	100,791
more than 1 year, up to 5 years	-	-
Accrued interest (not payable)	163	1,210
Discount	-	(9)
Impairment losses	(23)	(12)
Total	421,652	971,213

(c) Movement in impairment allowance for loans and advances to banks

in PLN thd	Dec 31, 2010	Dec 31, 2009
Balance as at beginning of period	12	159
Movements:	11	(147)
Creation during the period	11	-
Releases during the period	-	(147)
Balance as at end of period	23	12

Impairment allowance includes the estimated impairment incurred but not reported (INBR).

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[16] Financial Assets at Fair Value through Profit or Loss

(a) Financial assets at fair value through profit or loss

in PLN thd	Dec 31, 2010	Dec 31, 2009
Treasury bills	1,998,940	1,199,280
Treasury bonds	267,758	195,105
Positive market value of financial instruments	110,548	180,387
Total	2,377,246	1,574,772

(b) Change in financial assets at fair value through profit or loss

in PLN thd	Dec 31, 2010	Dec 31, 2009
Balance as at beginning of period	1,574,772	593,671
Increase	258,864,674	113,741,096
– purchase of debt securities	258,861,921	113,739,205
– increase in value of securities***	2,753	1,891
– valuation of off-balance-sheet derivatives	-	-
Decrease	(258,062,200)	(112,759,995)
– sale of debt securities	(138,407,770)	(27,739,526)
– redemption of debt securities	(119,583,620)	(84,784,680)
– decrease in value of securities***	(971)	(3,705)
– valuation of off-balance-sheet derivatives	(69,839)	(232,084)
Balance as at end of period	2,377,246	1,574,772

*** Balance as at end of period

(c) Financial assets at fair value through profit or loss (by maturity)

in PLN thd	Dec 31, 2010	Dec 31, 2009
up to 1 month	2,012,925	1,348,002
more than 1 month, up to 3 months	10,975	24,331
more than 3 months, up to 1 year	43,233	11,477
more than 1 year, up to 5 years	35,876	5,356
more than 5 years	274,236	185,606
Total	2,377,245	1,574,772

(d) Financial instruments at fair value through profit or loss by maturity as at the end of 2010

Derivative contracts – forwards and futures (speculative)

in PLN thd	Nominal values by maturity			
	Up to 3 moths	3 months to 1 year	Over 1 year	Total
a) Interest rate contracts	-	-	1,816,024	1,816,024
– IRS	-	-	1,419,994	1,419,994
– Other interest rate contracts	-	-	396,030	396,030
b) Currency contracts	5,618,907	3,032,605	487,251	9,138,763
– FX spot/forward	947,996	1,656,235	175,763	2,779,994
– FX swap	4,234,229	785,026	62,026	5,081,281
– Currency options purchased	218,341	295,672	124,731	638,744
– Currency options sold	218,341	295,672	124,731	638,744
Total	5,618,907	3,032,605	2,303,275	10,954,787

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(e) Financial instruments at fair value through profit or loss by maturity as at the end of 2009

Derivative contracts – forwards and futures (speculative)

in PLN thd	Nominal values by maturity			
	Up to 3 moths	3 months to 1 year	Over 1 year	Total
a) Interest rate contracts	465,596	-	1,612,937	2,078,533
– IRS	-	-	1,612,937	1,612,937
– Other interest rate contracts	465,596	-	-	465,596
b) Currency contracts	2,466,287	1,705,794	975,512	5,147,592
– FX spot/forward	1,025,252	622,245	79,395	1,726,891
– FX swap	918,873	312,796	79,443	1,311,112
– CIRS-	-	-	-	-
– Currency options purchased	261,081	385,377	408,337	1,054,795
– Currency options sold	261,081	385,377	408,337	1,054,795
Total	2,931,883	1,705,794	2,588,449	7,226,125

(f) Positive market value of financial instruments not payable

Derivative contracts – forwards and futures (speculative)

in PLN thd	Positive market value as at Dec 31, 2010	Positive market value as at Dec 31, 2009
a) Interest rate contracts	44,659	51,915
– IRS	39,961	46,502
– Other interest rate contracts	4,698	5,413
b) Currency contracts	65,888	128,472
– FX spot/forward	13,059	26,355
– FX swap	13,425	13,790
– Currency options purchased	39,404	88,327
Total	110,547	180,387

[17] Loans and Advances to Customers

(a) Loans and advances to customers

in PLN thd	Dec 31, 2010	Dec 31, 2009
Overdraft facilities	415,384	650,367
Other loans and advances with agreed maturities	131,754	206,565
Accrued interest	124	618
Effective interest rate adjustment	(21)	(43)
Discount	(1,413)	(3,562)
Impairment losses	(13,733)	(11,152)
Total	532,095	842,795

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(b) Loans and advances to customers by maturity

in PLN thd	Dec 31, 2010	Dec 31, 2009
Repayable on demand	415,384	650,367
With agreed maturities	131,754	206,565
up to 1 month	14,997	48,277
more than 1 month, up to 3 months	47,024	43,877
more than 3 months, up to 1 year	31,785	48,552
more than 1 year, up to 5 years	37,740	65,859
more than 5 years	208	-
Accrued interest (not payable)	124	618
Discount	(1,413)	(3,562)
Effective interest rate adjustment	(21)	(43)
Impairment losses	(13,733)	(11,152)
Total	532,095	842,795

(c) Quality of the loan portfolio

in PLN thd	Dec 31, 2010	Dec 31, 2009
Loans and advances to customers	545,849	853,989
- threatened with impairment	19,487	20,266
- not threatened with impairment	526,362	833,723
Effective interest rate adjustment	(21)	(43)
Impairment losses	(13,733)	(11,152)
- portfolio of loans threatened with impairment	(9,384)	(9,789)
- portfolio of loans not threatened with impairment	(4,349)	(1,363)
Total	532,095	842,795

(d) Loan portfolio by method of impairment estimation

in PLN thd	Dec 31, 2010	Dec 31, 2009
Loans and advances to customers	545,849	853,989
- tested individually	545,849	853,989
- tested by portfolio	-	-
Effective interest rate adjustment	(21)	(43)
Impairment losses	(13,733)	(11,152)
- impairment losses on loans tested individually	(9,384)	(9,789)
- impairment losses on loans tested by portfolio	-	-
- impairment losses incurred but not reported (IBNR)	(4,349)	(1,363)
Total	532,095	842,795

(e) Movement in impairment allowance for loan receivables

in PLN thd	Dec 31, 2010	Dec 31, 2009
Balance at beginning of period	11,152	2,414
Movements:	2,581	8,738
Creation during period	3,397	9,860
Releases during period	(411)	(1,122)
Other changes	(405)	-
Receivables charged to provisions	-	-
Balance at end of period	13,733	11,152

[18] Financial Assets Held as Investment

(a) Financial assets held as investment

in PLN thd	Dec 31, 2010	Dec 31, 2009
Financial assets available for sale	419,642	543,612
– Treasury bonds	401,348	527,627
– Treasury bills	17,908	15,930
– Stock	368	37
– Shares	18	18
Financial assets held to maturity	-	-
– NBP Bonds	-	-
Total	419,642	543,612

Debt securities in the amount of PLN 17,908 thousand as at the end of 2010 and PLN 15,930 thousand as at the end of 2009 secure the Bank Guarantee Fund (BFG).

(b) Change in financial assets held as investment

in PLN thd	Dec 31, 2010	Dec 31, 2009
Balance as at beginning of period	543,612	562,051
Increase	52,386	61,434
– purchase of debt securities	34,700	58,000
– purchase of shares	-	18
– increase in value of securities***	17,686	3,416
Decrease	(176,356)	(79,873)
– sale of debt securities	(140,000)	(57,500)
– redemption of debt securities	(32,700)	(16,245)
– decrease in value of securities***	(3,656)	(6,128)
Balance as at end of period	419,642	543,612

*** includes market value, accrued interest, remaining discount.

(c) Shares in – Lambourn Sp. z o.o.

The position consists of shares in special purpose entity Lambourn Sp. z o.o., which is controlled and consolidated by Deutsche Bank AG in accordance with the criterion of significant risks and rewards (SIC 12). Shares were acquired during 2009 in 100% of Deutsche Bank Poland SA and fully paid in cash. Bank shares are valued above at cost. The core business of the company is wholesale fuels and related products.

Main figures (unaudited) for the company shown in the table below.

Lambourn Polska Sp. z o.o.

in PLN thd	Dec 31, 2010
Total assets	1,018,644
Liabilities	1,016,558
Equity	5
Net profit	2,081
Income	2,569

[19] Tangible Assets

(a) Gross value of tangible assets

in PLN thd	Gross value as at Jan 1, 2010	Increase - - purchase	Decrease - - sale	Decrease - - liquidation	Gross value as at Dec 31, 2010
Vehicles	5,145	453	(228)	-	5,371
Other tangible assets	16,354	890	(299)	(689)	16,256
Leasehold improvements	16,329	19	-	-	16,348
Total gross value of tangible assets	37,828	1,362	(527)	(689)	37,975

(b) Depreciation of tangible assets

in PLN thd	Cumulative depreciation as at Jan 1, 2010	Amortisation	Decrease - - sale	Decrease- - liquidation	Cumulative depreciation as at Dec 31, 2010
Vehicles	1,967	977	(222)	-	2,722
Other tangible assets	13,952	1,228	(306)	(669)	14,205
Leasehold improvements	14,727	577	-	-	15,304
Total cumulative depreciation	30,646	2,782	(528)	(669)	32,231

(c) Net value of tangible assets

in PLN thd	Total net value as at Jan 1, 2010	Increase (decrease)	Decrease - - sale	Decrease - - liquidation	Total net value as at Dec 31, 2010
Vehicles	3,178	(524)	(6)	-	2,649
Other tangible assets	2,402	(338)	7	(20)	2,051
Leasehold improvements	1,602	(558)	-	-	1,044
Total net value of tangible assets	7,182	(1,420)	1	(20)	5,744

Other fixed assets comprise computers, ICT equipment and technical equipment of the offices.

[20] Intangible Assets

(a) Gross value of intangible assets

in PLN thd	Gross value as at Jan 1, 2010	Increase - - purchase	Decrease - - sale	Decrease - - liquidation	Gross value as at Dec 31, 2010
Start-up costs	115	-	-	-	115
Licences	10,205	562	-	-	10,767
Software	6,075	-	-	-	6,075
Total gross value of intangible assets	16,395	562	-	-	16,957

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(b) Amortisation of intangible assets

in PLN thd	Cumulative amortisation as at Jan 1, 2010	Amortisation	Decrease - - sale	Decrease - - liquidation	Cumulative amortisation as at Dec 31, 2010
Start-up costs	115	-	-	-	115
Licences	8,304	1,199	-	-	9,503
Software	6,075	-	-	-	6,075
Total cumulative amortisation	14,494	1,199	-	-	15,693

(c) Net value of intangible assets

in PLN thd	Total net value as at Jan 1, 2010	Increase (decrease)	Decrease - - sale	Decrease - - liquidation	Total net value as at Dec 31, 2010
Start-up costs	-	-	-	-	-
Licences	1,901	(637)	-	-	1,264
Software	-	-	-	-	-
Total net value of intangible assets	1,901	(637)	-	-	1,264

[21] Deferred Tax Asset

(a) Deferred Tax Asset

in PLN thd	Dec 31, 2010	Dec 31, 2009
Deferred tax asset (through income statement)	30,530	39,213
Deferred tax asset – valuation of securities available for sale (through revaluation capital reserve)	1,092	1,501
Balance as at end of period	31,622	40,714

(b) Computation of deferred tax asset as at December 31st 2010

Deductible temporary differences

in PLN thd	Tax base as at Dec 31, 2010	Tax rate	Dec 31, 2010
Accrued interest – amounts due to customers	727	19%	138
Financial derivatives held for trading – currency options	39,404	19%	7,487
Financial derivatives held for trading – CIRS/IRS	45,451	19%	8,636
Cost of currency option premiums	364	19%	69
Cost accruals	64,306	19%	12,218
Other expenses to be paid	136	19%	26
Loan loss provisions	9,443	19%	1,794
Valuation of debt securities – trading book	853	19%	162
Deductible temporary differences – settled through profit and loss	160,684		30,530
Valuation of securities available for sale – settled through equity	5,747	19%	1,092
Deductible temporary differences – settled through equity	5,747		1,092

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(c) Computation of deferred tax asset as at December 31st 2009

Deductible temporary differences

in PLN thd	Tax base as at Dec 31, 2009	Tax rate	Dec 31, 2009
Accrued interest – amounts due to customers	598	19%	114
Financial derivatives held for trading – currency options	88,327	19%	16,782
Financial derivatives held for trading – CIRS/IRS	52,995	19%	10,069
Cost of currency option premiums	3,943	19%	749
Cost accruals	52,762	19%	10,025
Other expenses to be paid	71	19%	13
Loan loss provisions	7,691	19%	1,461
Deductible temporary differences – settled through profit and loss	206,387		39,213
Valuation of securities available for sale	7,900	19%	1,501
Deductible temporary differences – settled through equity	7,900		1,501

[22] Other Assets

in PLN thd	Dec 31, 2010	Dec 31, 2009
Inter-bank settlements	831	489
Receivables from customer	9,037	106,800
Receivables from the National Depository for Securities (KDPW S.A.)	20,641	47,245
Receivables from brokerage houses	45,219	-
Sundry debtors	9,612	14,250
Other	988	2,727
Prepayments and accrued income	12,767	11,033
Total	99,095	182,544

[23] Deposits from Banks

(a) Deposits from banks

in PLN thd	Dec 31, 2010	Dec 31, 2009
Current accounts	302,320	235,976
Inter-bank deposits	-	478,244
Accrued interest	-	-
Total	302,320	714,220

(b) Deposits from banks by maturity

in PLN thd	Dec 31, 2010	Dec 31, 2009
Repayable on demand	302,320	235,976
Term deposits	-	478,244
up to 1 month	-	478,244
more than 1 month, up to 3 months	-	-
Accrued interest (not payable)	-	-
Total	302,320	714,220

[24] Financial Liabilities at Fair Value through Profit or Loss

(a) Financial liabilities at fair value through profit or loss

in PLN thd	Dec 31, 2010	Dec 31, 2009
Financial derivatives held for trading – FX forward and FX swap	28,516	38,496
Financial derivatives held for trading – currency options	39,404	88,327
Financial derivatives held for trading – CIRS/IRS	45,451	52,995
Total	113,371	179,818

(b) Negative value of financial instruments not payable

Derivative contracts forwards (speculative)

in PLN thd	Negative market value as at Dec 31, 2010	Negative market value as at Dec 31, 2009
a) Interest rate contracts	45,451	52,995
– IRS	40,838	47,582
– Other interest rate contracts	4,613	5,413
b) Currency contracts	67,920	126,823
– FX spot/forward	10,175	21,492
– FX swap	18,341	17,005
– Currency options sold	39,404	88,327
Total	113,371	179,818

Notionals of derivatives are presented in Note 16 d.

[25] Deposits from Customers

(a) Deposits from customers

in PLN thd	Dec 31, 2010	Dec 31, 2009
Current accounts	3,142,414	1,677,070
Deposits	785,364	1,020,334
Accrued interest	727	598
Total	3,928,505	2,698,002

(b) Deposits from customers by maturity

in PLN thd	Dec 31, 2010	Dec 31, 2009
Repayable on demand	3,142,414	1,677,070
Term deposits	785,364	1,020,334
up to 1 month	746,995	1,004,865
more than one 1 month, up to 3 months	25,757	8,849
more than 3 months, up to 1 year	11,013	5,289
more than 1 year, up to 5 years	1,600	1,331
Accrued interest (not payable)	727	598
Total	3,928,505	2,698,002

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[26] Provisions

(a) Provisions

in PLN thd	Dec 31, 2010	Dec 31, 2009
Provisions for court proceedings	96	96
Other provisions	1,637	880
Provisions for off-balance-sheet liabilities	796	1,390
Provisions for retirements	91	65
Total	2,620	2,431

The Bank creates provisions by obligation, for legally prescribed and customary liabilities, either certain or likely to arise, provided that the amount of the liabilities can be reasonably estimated. The liabilities arise from past events and the outflow of cash to settle them is probable.

The item "other provisions" includes provisions related to the Group's operations, and provision for staff matters.

[27] Deferred Tax Liability

(a) Deferred Tax Liability

in PLN thd	Dec 31, 2010	Dec 31, 2009
Deferred tax liability (through income statement)	18,033	32,528
Deferred tax liability (through equity)	63	-
Total	18,096	32,528

(b) Computation of deferred tax liability as at December 31st 2010

Taxable temporary differences

in PLN thd	Tax base as at Dec 31, 2010	Tax rate	Dec 31, 2010
Accrued interest – deposits in other banks, and loans and advances to other banks	163	19%	31
Accrued interest – loans and advances to customers	124	19%	24
Interest accrued on purchased accounts receivable	295	19%	56
Financial derivatives held for trading – currency options	39,404	19%	7,487
Financial derivatives held for trading – securities with future settlement date	86	19%	16
Financial derivatives held for trading – CIRS/IRS	44,574	19%	8,469
Valuation of treasury bills and bonds	-	19%	-
Adjustment for securities discount	7,113	19%	1,352
Fee and commission and other income to be received	2,835	19%	539
Adjustment for securities discount	-	19%	-
Other income received in advance	316	19%	60
Total taxable temporary differences (through profit and loss)	94,910		18,033
Valuation of securities available for sale	331	19%	63
Total taxable temporary differences (through equity)	331		63

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(c) Computation of deferred tax liability as at December 31st 2009

Taxable temporary differences

in PLN thd	Tax base as at Dec 31, 2009	Tax rate	Dec 31, 2009
Accrued interest – deposits in other banks, and loans and advances to other banks	1,210	19%	230
Accrued interest – loans and advances to customers	618	19%	118
Interest accrued on purchased accounts receivable	1,593	19%	303
Financial derivatives held for trading – currency options	88,327	19%	16,782
Valuation of treasury bills and bonds	118	19%	22
Financial derivatives held for trading – CIRS/IRS	51,912	19%	9,863
Currency options fees	10	19%	2
Adjustment for securities discount	25,760	19%	4,894
Fee and commission and other income to be received	1,179	19%	224
Adjustment for securities discount	-	19%	-
Other income received in advance	472	19%	90
Total taxable temporary differences	171,200		32,528
Valuation of securities available for sale	-	19%	-
Total taxable temporary differences (through equity)	-		-

[28] Other Liabilities

(a) Other liabilities

in PLN thd	Dec 31, 2010	Dec 31, 2009
Audit accrual	422	263
Accruals for unused holidays	1,376	1,139
Accrued bonuses to employees	14,649	14,536
IT and telecommunications services	21,171	16,727
Accrual for rent	935	104
Other expenses to be paid	25,310	17,548
Other liabilities – inter-bank settlements	18,644	15,638
Other liabilities – deferred income	1,027	1,180
Other liabilities – brokerage houses	562	75,470
Other liabilities – various creditors	1,531	4,497
Total	85,627	147,102

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[29] Share Capital

(a) Changes in share capital since incorporation of Deutsche Bank Polska S.A.

Date	Series	Transaction	Change in reserve funds in PLN thd	Reserve funds after change in PLN thd
Jul 21 1995	A	Incorporation of the Bank	20,000	20,000
Nov 20 1995	B	share capital increase	10,000	30,000
Aug 21 1996	C	share capital increase	40,000	70,000
Jul 7 1998	D	share capital increase	80,000	150,000
Oct 16 1998	E	share capital increase	80,000	230,000

The sole shareholder of Deutsche Bank Polska S.A. is Deutsche Bank AG.

As a result of the share issues effected to date, DB AG holds all, i.e. 230 ordinary shares in the Bank with the par value of PLN 1 m per share. Deutsche Bank AG holds 100% of the total vote at the General Shareholders Meeting. In 2010, no new shares were issued. All shares were paid up in cash.

[30] Share Premium

The Bank's reserve funds consist of share premium only.

The table below presents changes in the reserve funds over the successive years of the Bank's operations:

Date	Series	Transaction	Change in reserve funds in PLN thd	Reserve funds after change in PLN thd
Jul 21 1995	A	First issue of shares	5,000	5,000
Nov 20 1995	B	Second issue of shares	10,000	15,000
Aug 21 1996	C	Third issue of shares	25,000	40,000
Jul 7 1998	D	Fourth issue of shares	80,000	120,000
Oct 16 1998	E	Fifth issue of shares	75,000	195,000

[31] Revaluation Capital Reserve

in PLN thd	Dec 31, 2010	Dec 31, 2009
Revaluation capital reserve – revaluation of financial assets	(5,416)	(23,103)
Other revaluation reserves	80	73
Revaluation capital reserve – deferred income tax	1,029	1,501
Total	(4,307)	(21,528)

[32] Retained Earnings

in PLN thd	Dec 31, 2010	Dec 31, 2009
Retained earnings (deficit) brought forward	133,089	132,808
General risk fund	3,000	3,000
Net profit for the current year	90,834	113,266
Total	226,923	249,074

Pursuant to Resolution of the General Shareholders Meeting, the net profit for 2009 was divided as follows:

- Dividend in the amount of PLN 112,985 thd.

[33] Financial and Operating Leases

Deutsche Bank Polska S.A. is not a lessee under any financial lease agreements. Deutsche Bank Polska S.A. leases office space under operating lease agreements. Generally, the agreements are concluded for 8 to 11 years. Lease payments are adjusted annually based on the EICP Index. The table below shows total liabilities under irrevocable operating leases:

Liabilities under operating leases less subleases		
in PLN thd	Dec 31, 2010	Dec 31, 2009
up to 1 year	4,081	5,050
1 to 5 years	22,155	5,082
over 5 years	161	-
Total	26,397	10,132

[34] Contingent Liabilities

a) Off-balance-sheet liabilities

The Bank has lending commitments which include approved loan financing, credit card limits and overdraft facilities. Additionally the Bank issues guarantees and letters of credit, which secure performance of its customers' obligations towards third parties. The Bank's guarantee liabilities include guarantees and open export letters of credit.

The most common types of guarantees issued by the Bank include payment guarantees, performance bonds, bid bonds, advance payment guarantees, loan repayment guarantees, and customs guarantees.

The break-down of contingent liabilities into categories is presented below. The values associated with guarantees and letters of credit set out in the table below represent the maximum possible loss that would be disclosed as at the balance sheet day if customers failed to discharge their obligations in full.

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in PLN thd	Dec 31, 2010	Dec 31, 2009
I Contingent liabilities assumed and received	4,444,579	4,451,564
1 Liabilities assumed:	3,024,850	2,971,915
a) financial liabilities	1,138,072	1,061,197
b) guarantee liabilities	1,886,778	1,910,718
2 Liabilities received:	1,419,729	1,479,649
a) financial liabilities	110,692	185,219
b) guarantee liabilities	1,309,037	1,294,430
3 Customers securities	1,329,857	1,117,343

Group through DB Securities S.A. provides to its customers securities accounts and cash accounts in order to carry orders to buy or sell broker of financial instruments on behalf of the principal. Financial instruments deposited in the accounts of customers' securities are not assets of the Group and are not disclosed in the balance. They were valued at fair value determinable at the balance sheet and presented in off-balance-sheet. This group is not directly exposed to credit risk, interest rate or market risks associated with these financial instruments, because it does not guarantee those investments.

[35] Transactions with Related Parties

The Bank is wholly owned by DB AG, which holds 100% of the total vote at the Bank's General Shareholders Meeting.

The majority of related party transactions are banking transactions executed as part of the ordinary course of business. These involve mainly placements, deposits, guarantees and derivatives from DB AG, DB PBC.S.A, DWS Polska S.A.

(a) Income and expenses under transactions with related parties Jan 1, – Dec 31, 2010

in PLN thd	Parent entity	Other members of DB AG Group
Interest income	2,599	8,479
Fee and commission income	2,940	27,417
Net trading income	(9,707)	(2,949)
Other operating income	(426)	8,994
Interest expenses	(1,955)	(31,017)
Fees and commissions expense	(849)	(7,375)
General and administrative expenses	(13,307)	(8,205)

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(b) Income and expenses under transactions with related parties Jan 1, – Dec 31, 2009

Income and expenses

in PLN thd	Parent entity	Other members of DB AG Group
Interest income	6,449	22,512
Fee and commission income	5,024	8,206
Net trading income	19,130	228,307
Other operating income	1,951	25,142
Interest expenses	(2,238)	(36,314)
Fees and commissions expense	-	(2,283)
General and administrative expenses	(15,684)	(10,751)

(c) Receivables and liabilities under transactions with related parties – Dec 31, 2010

Receivables and liabilities

in PLN thd	Parent entity	Other members of DB AG Group
Deposits in other banks, and loans and advances to other banks	61,111	109,045
Financial assets at fair value through profit or loss	7,980	24,282
Loans and advances to customers	-	-
Liabilities to other banks	242,181	165,032
Liabilities to customers	-	6,881
Financial liabilities at fair value through profit or loss	54,602	39,093

(d) Receivables and liabilities under transactions with related parties – Dec 31, 2009

Receivables and liabilities

in PLN thd	Parent entity	Other members of DB AG Group
Deposits in other banks, and loans and advances to other banks	682,535	237,273
Financial assets at fair value through profit or loss	16,169	27,695
Loans and advances to customers	-	-
Liabilities to other banks	120,575	493,423
Liabilities to customers	-	-
Financial liabilities at fair value through profit or loss	76,018	76,338

(e) Off-balance-sheet transactions with related parties – Dec 31, 2010

Off-balance-sheet transactions

in PLN thd	Parent entity	Other members of DB AG Group
Guarantee liabilities assumed	86,756	955,107
Financial liabilities assumed	8,269	27,255
Guarantee liabilities received	-	157,991
Financial liabilities received	-	-
Notional amounts of derivatives, including:	2,873,227	3,995,283
Currency options	-	839,981
Interest rate swaps	746,736	-
Caps, Floors	-	198,015
FX Swap, FX Spot, FX Forward	2,126,490	2,957,287

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(f) Off-balance-sheet transactions with related parties – Dec 31, 2009

Off-balance-sheet transactions

in PLN thd	Parent entity	Other members of DB AG Group
Guarantee liabilities assumed	333,630	586,793
Financial liabilities assumed	-	9,415
Guarantee liabilities received	-	161,952
Financial liabilities received	12,876	-
Notional amounts of derivatives, including:	2,067,073	2,303,526
Currency options	-	1,282,444
Interest rate swaps	771,919	85,509
Caps, Floors	-	232,798
FX Swap, FX Spot, FX Forward	1,295,154	702,775

[36] Transactions with Employees and Management Board Members

In 2010, the aggregate remuneration paid to the Management Board members amounted to PLN 5,969.26 thousand, of which 35.96% was paid as a performance-based bonus. The remuneration of the Supervisory Board in 2010 was PLN 287.45 thousand.

At the end of 2010, the Group employed 237 persons.

In 2009, the aggregate remuneration paid to the Management Board members amounted to PLN 3,240.58 thousand, of which 47.85% was paid as a performance-based bonus. The remuneration of the Supervisory Board in 2009 was PLN 312.43 thousand. The number of Group's employees as at the end of December 2009 amounted to 238.

The above remuneration does not include social security charges.

[37] Material Events Subsequent to the Balance-Sheet Date

On 18 March 2011 Member of the Board was appointed Mr. Zbigniew Bętkowski.

Signatures of the Board Members

(signature)	(signature)	(signature)	(signature)
Krzysztof Kalicki President of the Management Board	Zbigniew Bętkowski Member of the Management Board	Radosław Ignatowicz Member of the Management Board	Radosław Kudła Member of the Management Board

Signature of the person responsible for the Bank's accounts

(signature)

Zbigniew Bętkowski
Member of the
Management Board
Warsaw, May 9th 2011

Further Information

04

Opinion of the Independent Auditor

To the General Meeting of Deutsche Bank Polska S.A.

We have audited the accompanying consolidated financial statements of Deutsche Bank Polska Capital Group seated in Warszawa, Al. Armii Ludowej 26 (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations and preparation of the Report on the Group’s activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2009, No. 152, item 1223 with amendments) (“the Accounting Act”), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the Report on the Group’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Deutsche Bank Polska S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Sp. z o.o.
registration number 458
ul. Chłodna 51, 00-867 Warsaw

(signature)

Certified Auditor No. 9794

Director

Mariola Szczesiak

(signature)

Director

Richard Cysarz

9 May 2011

Warsaw

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